Government Property Agency

Annual Report and Accounts 2022/23
(For the year ending 31 March 2023)

Accounts presented to the House of Commons pursuant to Section 7 (1 and 2) of the Government Resources and Accounts Act 2000

Annual Report presented to the House of Commons by Command of His Majesty
Ordered by the House of Commons to be printed on 17 July 2023
HC 1724

This publication is available at www.gov.uk/official-documents
Any enquiries regarding this publication should be sent to us at:
enquiries@gpa.gov.uk

E02946681
ISBN 978-1-5286-4361-0

Printed on paper containing 40 per cent recycled fibre content minimum
Printed in the UK by HH Associates Ltd. on behalf of the Controller of His Majesty's Stationery Office

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Foreword

Chair

Pat Ritchie CBE

I am very proud of the progress the Government Property Agency (GPA) has made this year towards achieving our vision of delivering “A transformed, shared and value for money Government Estate supporting civil servants to work productively in every nation and region in the UK”.

We have successfully on-boarded 45% of the government office estate and enabled the move of civil servants out of London and delivered c.11,000 m2 of new office space for civil servants across the UK. I am particularly pleased that we are building strong relationships with local government developing portfolio plans for towns and cities across the country in partnership with local partners. We delivered a new Hub in Peterborough and interim space for the government economic hub in Darlington. And we are on site in towns and cities across the country as we roll out our ambitious hub building programme delivering investment in economic and social value in places like Manchester, Croydon, Stoke-on-Trent, and Bristol.

GPA has gone through a significant period of transformation in the last year with a focus on creating the right commercial and customer facing skills in the organisation. I am particularly proud of our progress on developing skills within GPA with over a third of our people within a specialism achieving a relevant Level 7 accreditation. We have also focused on bringing new staff with commercial skills into the Agency. I welcome the appointment of our new strategic commercial partners: BNP Paribas Real estate and JLL who will further strengthen our commercial capacity in property and workplace.

Whilst we have made good progress, we recognise that there is still much to do particularly to continue to build an organisation where our clients and customers are at the heart of everything we do. Our client satisfaction scores have increased on average by 13% but we know we need to go further to fulfil the expectations of our customers. We will strive to ensure we create the high quality, sustainable, digitally enabled office spaces which we know our customers want. We will also continue to focus on providing best value for the taxpayer by driving efficiencies in the estate and ensuring we get the best deal in our negotiations with the private sector. We are also conducting a full benefits review to ensure that we accurately assess and quantify the positive impact we make.

This year we have further strengthened the GPA board successfully recruiting three new private sector board members who will use their considerable experience in commercial real estate and customer service sectors to support the GPA executive team in achieving our vision.

I would like to thank my fellow board members, the chief executive and executive team, all my colleagues at the GPA and our partner agencies for their continued support and hard work. I look forward to working together to deliver our ambitious programmes in the year ahead.

CEO

Steven Boyd MBE

As Accounting Officer, I am pleased to present our Annual Report and Accounts, activities and performance for the Government Property Agency (GPA for the 2022/23 reporting period.

It has been a big year for the GPA. We have:

- Grown the estate under our management to c.950,000 m2, 45% of the Government office property portfolio, increasing our income to £452.6m.
- Delivered our 5th, grade A Government Hub in Peterborough and the first phase of developing our Darlington campus further delivering on our commitment to a smaller, better, greener estate.
- Closed a further 12 offices in London (bringing total offices closed to 42).
- Helped the Civil Service improve productivity through creating market leading, great places to work that achieve high customer satisfaction ratings and have been recognised through a rare Leesman Plus certificate for our Birmingham hub.
- Reduced carbon emissions by 1,200 tCO_2e saving £604,000 per annum.

Market conditions

Together with the rest of the property sector, we have seen significant changes in working patterns reducing the utilisation of our offices. We were already planning for a reduction in demand for space as we did not expect office attendance to recover to pre-pandemic levels and we had already assumed a 25% reduction in the space required to meet our clients' needs. Whilst many of our clients are still wrestling with their future ways of working, it seems clear that further reductions in the space we need to hold to meet clients' needs will be possible. We are fortunate that some 70% of our office occupations are leasehold, which together with our strategy of holding a balanced portfolio comprising a mix of short and long leases and freeholds has enabled us to release space quickly, and this year we have made significant progress in re-setting our portfolio plans for towns and cities across the UK to respond to this trend. In doing this we also demonstrate a case for the savings the GPA is able to yield for the UK tax payer by operating property centrally. We have also cemented our position as thought leaders on hybrid working based on our extensive surveys of customer sentiment.

During the year, we have also seen significant construction cost, inflation and major changes in the cost of borrowing. These factors have led to increased rent levels proposed by developers for long leasehold office buildings. This has led us to re-evaluate our approach to acquisition for our hubs programme. In some cases, we have moved to a self-delivery approach creating a freehold asset utilising the lower cost of capital available to us through HM Treasury. In the context of this challenging environment, we are very pleased to continue to attract clients who want to use our delivery capability: in addition to our hubs programme, which we believe is the largest commercial office programme in the UK, we are taking forward major facilities for the National Cyber Force and the European Weather Centre. Over the next five years, we expect to invest £1.9bn in new office solutions for government.

Clients and customers

Despite these market challenges, satisfaction among our clients, the government organisations who pay for our services, has continued to improve reaching scores of 61%. Improved by 13% this year, we aspire to build on this further next year. We have also grown the proportion of the government office portfolio under our control. Our transferred estate has increased from 827,000 m2 at the end of 2021/22 to 957,000 m2 as of 31 March 2023. Income from clients has also grown to £452.6m, with debtor days, the average period in which bills are unpaid improving throughout the year, standing at 42 days at March 2023 before the Q1 billing run.

This year, we have baselined for the first time the satisfaction of the people using our buildings, our customers. Average customer satisfaction was 69% with scores in our newly delivered hubs in Birmingham of 76% and Darlington 71% demonstrating the strength of these propositions. These scores were further supported by a Construction Industry Award for our inclusive design, and securing a rare Leesman Plus certification for our new Birmingham office.

Both clients and customers want high-quality, sustainable, digitally-enabled office spaces. There are also financial benefits from a planned and proactive asset replacement programme, rather than adopting a reactive approach that leaves assets to fail. We have proactively invested £55.9m in lifecycle replacement across the estate to improve condition (prioritising health & safety and security), and £25.8m in carbon net zero interventions to improve sustainability. We are also now formally recognised as the lead on setting standards for and improving property technology for the Civil Service.

Building for the future

As we grow, we continue to attract talent from both public and private sectors. The opportunity to make a difference, the scale at which we operate, and our employee-friendly culture are big draws. We have grown our internal team to 409 people. We have also restructured our team and continued to invest in building the core skills we need to be successful. Despite the disruption of our reorganisation and pay being capped by HM Treasury, we saw an increase in Employee Engagement to 66% in a period in which engagement fell in almost all other parts of the Civil Service.

We have also strengthened our supply chain. We have recruited BNP Paribas Real Estate as our strategic property partner and Jones Lang LaSalle as our strategic workplace partner. We are confident that the expertise and depth of experience that these leading international firms bring will strengthen our offer to clients. We have also made significant progress in procuring new, consistent, customer-focussed contracts to replace inherited facilities management contracts across our estate.

We have made significant strides in automating our processes and building insights through data. We have embedded our Data Warehouse and user-friendly data visualisation tools across the GPA to provide a ‘single version of the truth’ supporting effective decision making. We have also rolled out new purchase-to-pay and financial management software ready for the 2023/24 financial year. We are well on the way to creating the digital under-pinning necessary to be increasingly efficient.

Forward look

We are ambitious for the future, and to help us prepare for success, we plan to focus next year on supporting our people, and embedding new contracts and systems to provide a solid platform for future growth.

To build on our work to support the government’s Levelling Up agenda, we have successfully delivered new office space for c.1,900 civil servants, which is contributing to the overall target against relocating 22,000 Civil Servants out of London. We are keen to build relationships with local authorities in places in which we plan to build new hubs. We see considerable potential for working together.

As working patterns in our clients' workforces stabilise, we will be able to make key decisions on the quantum of space we need to hold. In particular, we are working with stakeholders across government to develop a Plan for London. We already plan to close our c.31,000 m2, 1 Victoria Street office in 2024, and we believe that further closures will be possible making significant savings for the government, and building on the additional benefits delivered this year.

We will continue to invest in property technology to create interoperable, inclusive, productive environments for our customers. We will also create a client web portal, supported by a new Client Relationship Management system, to provide our clients with ready access to the information they need to support their businesses.

After this challenging year, my thanks go out to all the GPA team members for their hard work, commitment and dedication. We can be proud of what we have achieved so far and we will continue to build on this success over the next year.

Performance Report

Overview

The Performance Report outlines the Government Property Agency (GPA) purpose, vision, strategic objectives and highlights the main activities for the year 2022/23, followed by a deeper dive into the key achievements against four strategic objectives.

The impact of management of key risks and accountability issues are set out later in the document within the Governance Statement. This also includes the single instance of non-compliance with the Cabinet Office Spending Controls disclosed on page 63.

The GPA was established in 2018 as an Executive Agency of the Cabinet Office, led by a Board of non-executives with experience in property, customer service and local government reporting to Cabinet Office ministers. The GPA operates as a public sector property company creating great places to work for civil servants. Over the last few years, the GPA has grown in scale and capability, no longer operating like a start-up, but a maturing business.

The GPA uses its civil service know-how and commercial expertise to:

- Deliver on government priorities
- Help the Civil Service to attract the best talent in places across the United Kingdom

- Plan and deliver the government's office and warehouse portfolios
- Act as the single landlord for its government department clients
- Deliver the government hubs programme
- Provide workplace services to its clients, where required.

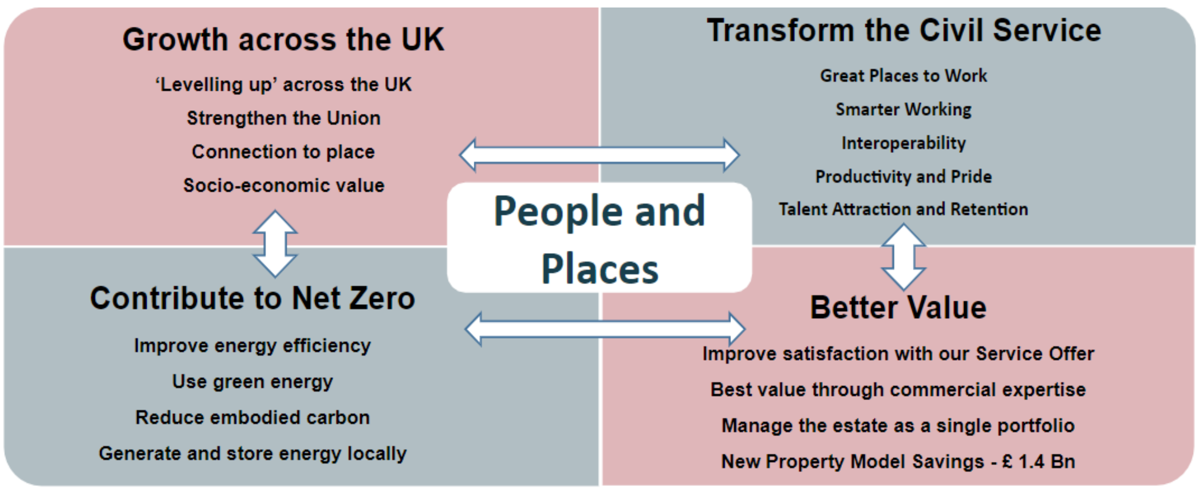
Vision

The GPA's vision is to deliver a transformed, shared, sustainable and value for money government estate supporting civil servants to work productively in every nation and region of the United Kingdom.

Considerable progress has been made this year to achieve this vision. Replacing and upgrading the estate; removing the barriers preventing departments from sharing space and collaborating on public services; reducing carbon emissions; and delivering impressive savings.

Strategic objectives

The GPA has continued to deliver against its 10-year Strategy (2020/2030) which sets out four strategic objectives, which continue to stand the test of time. These four strategic objectives will continue to make a real difference to people and places.



Growth across the UK

The GPA has continued to support the government's Levelling Up strategy and strengthen the Union by enabling the movement of civil service roles from London to the nations and regions of the UK, through the Places for Growth initiative, and by direct investments in towns and cities.

The GPA is adding significant economic value in the regions, bringing jobs and investment, and where possible working with local authorities to support place making and regeneration.

Transform the Civil Service

The GPA's supporting Civil Service Reform enabling collaboration between departments and the creation of Civil Service communities in places in all parts of the UK.

This year has seen further progress on creating low carbon Great Places to Work for Civil Servants that are in great locations and support hybrid working, wellbeing, attraction and retention, and productivity.

Contribution to Carbon Net Zero

The GPA continues to make great progress in reducing carbon emissions through the reduction of direct emissions from its property, and working towards the government's statutory obligation of a 75% reduction in CO_2 emissions by 2037.

Newly constructed government hubs are minimising the carbon embodied in construction and delivering buildings able to operate in a highly sustainable way. The GPA has invested in Net Zero interventions across the estate to improve sustainability and reduce the consumption of utilities.

Better value

The GPA delivers better value for the government by realising significant benefits across the estate. The savings it makes can then be reinvested in the estate and in other government priorities.

The GPA continues to deliver improvements for its government department clients, and for its customers, who are the civil servants they employ. This is demonstrated through improving satisfaction scores.

The GPA is able to add value through its unique balance of Civil Service know-how and commercial expertise, and by treating the government office portfolio as a single strategic asset. The steady growth of the size of the estate under the GPA's direct management is improving its ability to deliver value.

The GPA's Performance

Key achievements FY 2022/23

Over the last 12 months, the GPA made progress against its 10 year strategic objectives and delivered against its 2022/23 Business Plan. In doing so, this year it has achieved the following:

- Enabled 12,000 FTE to be moved to the regions from London, of which approx half have been absorbed into the existing regional estate at almost no cost.
- Grew the number of portfolio plans for towns and cities across the United Kingdom to 38 and used these to plan for the rationalisation of the whole government office portfolio, whether or not assets have yet transferred to the GPA.
- Secured formal recognition as the Civil Service lead for property technology improving interoperability, removing barriers to collaboration and enabling enhanced productivity.
- Through the Smarter Working programme, helped departments to adopt modern ways of working. 30 of 41 departments have successfully reached maturity, meaning c.225,000 civil servants now work for organisations assessed as smarter working 'mature' against the PAS3000: Smart Working Code of Practice.
- Awarded Construction Industry Council (CIC) accreditation for its organisational focus on ‘Inclusive Environments’ ensuring the GPA’s new workplaces are appropriate for everyone.
- Achieved Leesman+ status (whilst still costing taxpayers no more than standard accommodation) for workplace experience at Birmingham, 23 Stephenson Street only the second ever public sector workplace to achieve this status.
- Published its first Environmental, Social and Governance Report.
- Through the Net Zero Programme, reduced CO2 emissions from offices by 1,200 tCO2e pa (2022/23) and saved £604,000 pa.
- Grew the office estate to be the largest in government having transferred 45% of the overall government office portfolio (c.950,000 m2) into the GPA.
- Delivered market-beating property deals including in Manchester First Street, which won two industry awards.

- Invested £215m in its estate including c. £76m in condition improvement works. £1.8bn in capital investment is forecast over the five-year period up to 2028.
- Delivered a new government hub in Peterborough and interim space in Darlington adding c.11,000 m2 of modern, interoperable, low-carbon Grade A office accommodation to the portfolio.
- Working with the Department of Science Innovation & Technology, won a competition with other European nations to build a major new Weather Centre in the United Kingdom.
- Closed 12 more offices in Central London bringing the total closed since April 2017 to 42 reducing operating costs by £220m pa (gross).
- Agreed future Whitehall locations with all departments.
- Recruited BNP Paribas Real Estate and Jones Lang LaSalle as strategic partners for property and workplace respectively.
- Agreed a revised Framework Document with HM Treasury and Cabinet Office delegating additional financial flexibilities to the GPA to enable it to act more commercially.
- Procured, configured and integrated new purchase-to-pay and financial management systems. These systems will continue to be embedded and refined in the coming year.

Performance against KPIs

Strategic Outcome	Metric	Results
Better Value	Vacant space less than 2% (by income)	0.46% (by income)
Better Value	Develop plans for all Condition C and D properties	Complete 51% is at least Condition B
Better Value	Average client satisfaction survey score of at least 70% to include the	Average satisfaction score achieved Q4 - 61%

	views of all its clients	
Better Value	Cumulative booked cashable benefits to government to be at least £1bn (20 yr NPV) by year-end	Significant benefits have been booked, new methodology being reviewed.
Capability and Capacity	Health and Safety reporting (RIDDOR) - Zero reportable incidents	There were no reportable incidents to the Health and Safety Executive.
Capability and Capacity	Establish a baseline through a customer satisfaction survey	Baseline established through use of the GPA customer survey on buildings covering c.26,000 customers. Average customer satisfaction: 69%
Capability and Capacity	95% property data accuracy	As at end of year, the KPI was achieved with property data accuracy standing at 99%
Capability and Capacity	Establish a benchmark score through a supplier relationship survey	Complete Supplier satisfaction is 79%
Capability and Capacity	Level 7 accreditation for 40% of its people	38% achieved accreditation within their specialism
Capability and Capacity	Clients pay 95% invoices without query	As of 31 March 2023, 98% of invoices were paid without query (2021/22 stood at: 92%)
Capability and Capacity	Average debtor days less than 30 days	As at 31 March, 2023 average debtor days stood at 82 days

		(2021/22 stood at 104 days).
Contribute to Net Zero	Carbon savings 1,000 tCO2e pa and utility cost savings of £400k pa	Achieved carbon savings 1,220 tCO2e pa and utility cost savings of £604k pa (2021/22 1,218 tCO2e and £560k in utility savings).
Growth Across the UK	90% of capital projects to be either delivered or on track to be delivered to budgeted time and cost	64% (9 of 14) of projects remain on track to deliver to their approved budget. 71% of (11 of 14) projects remained on track to deliver to the agreed timeline.

Clients

The GPA works with over 140 clients, who are defined as government ministerial departments, their agencies and public bodies along with some non-government occupiers. The GPA works closely with departments as true partners. A service offer has been designed specifically for these government departments.

Service offer

This year, the GPA has refined and clarified its Service Offer, which consists of three core services: Landlord Services, Workplace Services, and ICT Services. Services are offered to clients as follow:

- Curated Space = Landlord Services.
- Serviced Space = Landlord Services + Workplace Services.
- Fully Serviced Space = Landlord Services + Workplace Services + ICT Services – this level of service is mandatory within the GPA's hubs.

Other services include:

- Portfolio Services – for those clients who have transferred their property assets to the GPA.
- Property and Project Services – the management of client-funded works.
- Consultancy Services – provision of professional property advice services.

Client satisfaction

This year, the GPA has improved client satisfaction to 61%, as it continues to inherit property, contracts and people from its clients. The GPA is proud of this significant improvement, yet recognises that there is more still to do. Next year, the target for client satisfaction is 70%.

Smarter Working programme

The GPA's Smarter Working Programme, a partner programme to Civil Service Modernisation and Reform, has been fundamental in supporting clients in ways of working, in driving the adoption of hybrid working behaviours, in increasing leadership capability, and in supporting workplace design. The Programme has helped to drive productivity and efficiencies across the Civil Service.

This year sees the Programme come to a successful close having achieved its objective to support and assess all 41 ministerial and non-ministerial government departments, including their executive agencies. 30 of these departments have reached smarter working 'maturity', with the remainder either awaiting their assessment outcome or assessed as ‘established’ with action plans in place. This means that c.225,000 civil servants are now working in departments that have reached maturity in smarter working. As part of this process, the GPA itself achieved a ‘mature’ assessment outcome, against the PAS3000: Smart Working Code of Practice.

Asset Transfer programme

This year, the GPA grew its estate by 7% (transferred) to 950,096 m2. The GPA plans to continue to grow its estate at a steady pace, enabled by thorough due diligence before bringing new assets onto its books. Next year, it plans to transfer approximately 80 buildings, representing over 200,000 m2, a further 10% of the available central government office estate. When that transfer is complete, the two largest departments who have yet to transfer their assets to the GPA will be HM Revenue and Customs and the Department for Environment Food and Rural Affairs.

Customers

The GPA defines its customers as the people who occupy its buildings. Customer perspective is one of the GPA's core skills that all colleagues should have and develop. The GPA strives to ensure that all its customers really love their workplace. The Workplace Experience team is focused on making that happen and measuring it.

Customer insights

The GPA measures the satisfaction of its customers to find out how satisfied they are with their experience of working in the buildings it manages. This data and insights are used to refine and improve future products, services and offer.

This year, the GPA baselined customer satisfaction surveying buildings covering c.26,000 full-time equivalent (FTE) and put in place an approach to address any issues identified by the surveys. The average customer satisfaction score this year is 69%. Next year, the plan is to roll out surveys to a higher proportion of the estate, and to continue to take actions to drive scores upwards.

The GPA has also continued to use more detailed surveys carried out on its behalf by Leesman to supplement its own customer surveys. This continues to build the Civil Service Leesman Workplace Experience database, which now has over 40,000 responses from 63 buildings. This is one of the largest such data sets in the United Kingdom and is proving valuable in providing actionable insight.

Customer experience

Over this past year, the GPA continued to deliver Great Places to Work through refurbishments, setting new and improved design standards and ensuring the customers are at the heart of everything the GPA does. The GPA is starting to see excellent results from its new government hubs, with both Birmingham, 23 Stephenson Street and Darlington, Feethams House being rated as providing an outstanding workplace experience for customers in recent Leesman post-occupancy surveys.

Birmingham, 23 Stephenson Street has qualified for Leesman+ status, joining the ranks of no more than 150 other buildings across the globe who have achieved this from over 7,390 buildings surveyed by Leesman. It's only the second public sector workplace to achieve this status (whilst costing taxpayers no more than standard accommodation). The results also reflect the progress the GPA is making in providing inclusive workplaces, with 23 Stephenson Street scoring very highly in this area and with the building being shortlisted for several industry leading awards.

This year, the GPA was proud to be awarded Construction Industry Council (CIC) accreditation for its organisational focus on ‘Inclusive Environments’. This is part of a two-stage approach - the first stage is to achieve recognition for the organisation's design approach, which lasts for five years. The second stage at project level is now underway and an accreditation request for Birmingham 23 Stephenson Street has been submitted, with Peterborough, Fletton Quays to follow.

Corporate Real Estate

The GPA's Corporate Real Estate activity secures the flexible estate the Civil Service needs to meet its changing needs, and ensures that it is the right condition to support client departments and customers.

Tenure mix

To create a flexible estate to meet the needs of the whole Civil Service, this year targets for tenure mix were implemented for each area. Based on the agreed targets, the GPA is continuing to seek opportunities over time to align actual tenure mix to the target. In particular, it is planned to increase the proportion of freeholds, and some early progress has been made towards this aspiration.

Property transactions

During the year, numerous property transactions were under-taken to help shape the estate for the future. New properties acquired by the GPA this year reduce costs and align with both government policy on Levelling Up and portfolio plans for a location. Through commercial engagement with the market, the GPA has acquired both large and small properties on a range of lease lengths. These range from serviced offices through to longer leases on BREEAM Outstanding new builds, with very low starting rents and locked-in savings through capped rental increases, limited end-of-term dilapidations, and leases that allow sharing with multiple government occupiers.

Acquisitions have taken place in Manchester, Swansea, Stoke, St Albans and Salisbury, alongside space taken to support several high-profile public inquiries in London including the Covid and Royal Mail Horizon Inquiries. For next year, the GPA has an equally ambitious programme including some significant acquisitions in the regions.

Manchester, First Street

The GPA's transaction in Manchester won CoStar's 2022 'Deal of the Year in the North West' for both 'best leasing deal' and 'best sale'; reflecting the GPA's significant involvement in making this acquisition happen at a time of significant market turmoil. The property will be a multi-department hub, being constructed to the GPA's specification, ready for occupation in 2026/27. The deal was completed at a time of considerable volatility in the funding market. It achieved a net initial yield of 2.8%, reflecting continued strong investor demand for government-backed long income, and ensuring the rent payable by the GPA is substantially below market rent for the term of the lease on what is likely to be the very best new office building in Manchester.

Progress was made with freehold disposals in both Peterborough and Blackpool, which have both sold this year for significantly over estimated realisation price, and will be redeveloped to generate new housing stock.

To rationalise the estate, the GPA's aim is to release space at lease breaks and expiries, but also to pursue surrenders if necessary. This year, the GPA has exited over 15 leases and completed one surrender this year in Darlington.

In instances where the GPA is able to restructure leases and commit to longer terms, substantial savings are achievable and incentives received are used to find major upgrades to improve working environments, sustainability and flexibility of space retained. This year, the GPA has been able to commit for the long term at London, 3-8 Whitehall Place, not only reducing costs but also enabling the closure of the 1 Victoria Street office elsewhere in Whitehall.

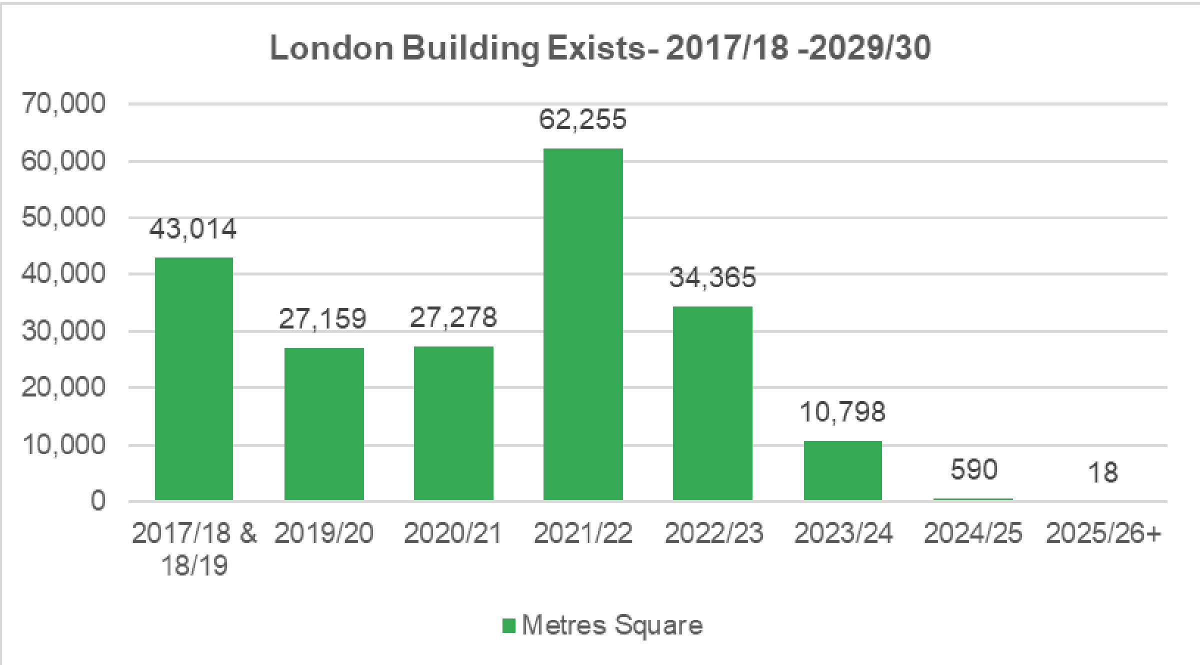
Hubs programme

The hubs programme continues to create Great Places to Work across the United Kingdom. The Programme both rationalises the existing estate in the regions and supports the Place for Growth Initiative. This year, the GPA delivered a new government hub in Peterborough, Fletton Quays and interim space in Darlington, Feethams House adding c.11,000 m2 of modern, interoperable, low-carbon Grade A office accommodation to the portfolio. The opening of these new buildings has created space for c.1,700 FTE.

Construction is also underway on two further new hubs in Croydon and Manchester with refurbishments ongoing on three existing sites in Bristol, East Kilbride, and York.

Whitehall Campus programme

The Whitehall Campus programme will create a shared and fully interoperable campus in central London. It will not only significantly rationalise the estate, making considerable savings for the taxpayer, it will also improve the quality of the retained core buildings to support higher productivity. In April 2017, there were 84 government offices in the London Transport for London Zone 1. The GPA has been making excellent progress in rationalising this expensive estate. This year, it closed a further 12 offices in Central London, releasing a total of c.38,000 m2 of space, and reducing the number remaining to 41 by March 2023. The savings to the government from closing these 12 buildings alone represent £34m pa.



The GPA's target is to rationalise the Central London estate to no more than 20 buildings by 2030. This year, a major milestone was achieved with agreement with all departments on their future Whitehall locations.

The GPA also served notice to exit 1 Victoria Street in Central London next year, which will release a further c.31,000 m2 of space. Customers currently based in 1 Victoria Street will relocate to 3-8 Whitehall Place, 55 Whitehall and 22-26 Whitehall. These three buildings are currently undergoing refurbishment and will provide great workplaces for client departments alongside the refurbished Old Admiralty Building opened last year.

Client requested projects

The GPA also carries out capital projects that are directly funded by its clients. Examples of major client requested works progressed this year are:

- **Stoke-on-Trent, Immigration Centre.** The building supports the Home Office's Places for Growth commitments to Stoke-on-Trent and opened in April 2023.
- **Reading, European Medium-Range Weather Centre.** The GPA's design solution secured the Weather Centre for the United Kingdom in competition with other European nations. The GPA will deliver the Net Zero, BREEAM Outstanding scheme for the Department of Science Innovation & Technology at the University of Reading. The new Weather Centre is due to open early 2026.
- **Preston, National Cyber Force.** The GPA awarded a fit-out contract for an interim NCF facility at Preston. Preliminary work is underway with the facility due to be handed over to the Ministry of Defence for their technical fit-out in January 2024.

Condition

This year the GPA baselined the condition of its assets. 51% of its assets are Condition B or better, and plans have been developed for every asset which is Condition C or worse. The rolling programme of condition surveys continued and a further 28 detailed condition surveys were completed this year.

Additional property assets will transfer to the GPA from its clients next year and in the future. On transfer, it will assess the condition of these assets, if not already known, and develop appropriate plans.

Lifecycle replacement

The lifecycle replacement programme is in its second year with the purpose of improving the condition of the GPA estate through replacing and upgrading end of life assets. 2022/23 delivered c. £76m of condition improvement works on approximately 200 building systems. This includes:

- Approximately 30 HVAC (heating, ventilation, air conditioning) related projects.
- 50 fabric improvement projects.
- Several major low voltage distribution system upgrades, including Birkenhead Rosebrae Court, Southport Smedley Hydro and London GOGGS.
- 14 asbestos removal and 32 fire safety related projects (including fire stopping and fire door replacement).

- More than 120 meeting and conferencing facilities upgraded with interoperable technology to enable hybrid working, with further works planned in FY 2023/24.
- 32 fire safety related projects.
- 25 GovPass site installations.

Utilities

Utility costs have increased significantly this year. The GPA has been largely protected against these increases in the short term where it is responsible for the supply due to bulk purchase arrangements with the Crown Commercial Service. However, in many cases where landlords provide utilities, the GPA has had to pass on significant cost increases to its clients.

Next year, the GPA proposes to engage a Utilities Bureau to improve its management of utilities, and to take on responsibility for direct supply in more buildings to better support its clients.

Under the GPA's Net Zero Programme there is a planned roll out of photovoltaic installations across the government office portfolio through FY 2023/24 which will provide on-site energy generation reducing building running costs. Energy efficiency measures will also continue to be prioritised including LED lighting upgrades and heating, ventilation and air conditioning upgrades to ensure its buildings are operating more efficiently.

Property Management

The GPA's Property Management activity sub-leases space to its clients and provides services into these spaces to meet the needs of clients and customers.

Sub-leasing

Over the year, subleases have increased from 483 to 511 with income increasing to £452.6m. Vacant space has been restricted to 0.46% by income.

The GPA is the largest manager of commercial office space in government, supporting over 140 clients. The largest clients are the Cabinet Office, Department for Education (DfE), Department for Business, Energy & Industrial Strategy (BEIS), Home Office, Crown Prosecution Service (CPS) and Department for Levelling Up, Housing and Communities (DLUHC).

Workplace services

This year the GPA provided workplace services into 69 buildings composing 431,229 m2, 42% of the GPA Managed Estate. Currently, workplace services are primarily provided by contracts inherited from client departments. Contracts are managed to provide the best support for clients and customers, but they have a range of different standards and processes and can be difficult to manage.

Workplace Service Transformation Programme
The Workplace Services Transformation Programme (WSTP) is designed to replace inherited contracts. This year, the WSTP successfully appointed a performance partner, a digital platform, and regional operational security contracts. These new contracts will enable the GPA to achieve customer service excellence delivered through transformed workplace services, optimised for resilience and supported by enhanced commercial and customer service capability and performance. Regional facilities management contracts will be awarded next year.

IT service management (ITSM)

This year, the GPA has signed a new ITSM contract covering the London and South regions. Next year, this new contract will mobilise, with an additional contract for the Centre and North regions awarded.

Property technology

The GPA is continuing to work with its client departments to ensure that property technology is standardised to enhance interoperability. This year, the GPA's approach was formalised by a mandate from the Civil Service Operations Board.

The GPA has produced a draft ‘PropTech Maturity Matrix’, which will be used across departments to drive consistency and improvements in standards. The matrix is in pilot with departments and over time will be used to form the basis of a Property Technology performance rating.

- **Shared IT networks and audio visual (AV).** In 2022/23 the GPA has deployed shared IT networks to five properties, this approach has standardised the IT infrastructure, removed network contention issues and therefore provided a better experience to customers. Where the GPA Audio Visual standard is in place there has been a reported marked improvement in customer satisfaction.

- **GovPrint.** The GPA introduced GovPrint to three locations, 16 clients, 700 users and has a pipeline in place to introduce GovPrint to other departments in line with contract renewals.

- **GovPass.** The GPA has continued to focus on interoperability across government and modernising workplace technology to enable an improved client and customer experience. It has rolled GovPass out to 25 properties and 30,648 people and the velocity of deployment continues to increase.

- **Occupancy.** The GPA has increased the number of buildings reporting occupancy data and continues to engage with government departments to improve further. It is exploring avenues to improve the granularity and accuracy of occupancy reporting across the estate, ensuring a move away from manual processes to automated, high confidence reporting approaches.

Operation BRIDGE

Operation London Bridge was the plan for the United Kingdom's response to the death of Queen Elizabeth II. The GPA's support included enabling access to its buildings for relevant authorities and functions (including media), altering or facilitating its suppliers' work schedules and access to capital projects, managing flags, responding dynamically to client needs and supporting security arrangements.

Place

The GPA is organised to deliver on a regional basis and this year has procured new regional contracts, which support employment and SMEs in the regions. The GPA's delivery of government hubs is supporting the Places for Growth initiative and Levelling Up by investing in the nations and regions of the United Kingdom.

Portfolio plans

The GPA has portfolio plans for every city and major town across the UK taking into account all government office property regardless of whether the property assets have yet transferred to the GPA. Whilst the quality of information on assets that have yet to transfer is not as good as for its own assets, the plans are holistic and increasingly allow decisions to be made on a long-term basis.

This year portfolio metrics have been refined and plans have been developed to rationalise the estate, being aware of increased hybrid working in many clients' organisations. These plans set the conditions for the delivery of significant savings in future years.

Combined and local authorities

In developing portfolio plans, the GPA has worked closely with combined and local authorities. Collaborating on planning and public realm and where possible on regeneration and sharing space in public sector buildings. This year, the GPA has collaborated in Manchester, Salford, Liverpool, Lancashire, Preston, Glasgow, Newcastle, Darlington, Stockton, Leeds, York, Hull, Sheffield, Belfast, Stoke-on-Trent and Westminster.

Capability and Capacity

People

The GPA has continually looked to make improvements to the way it operates. This year, based on a clear target operating model, it has restructured teams to ensure clear responsibilities and so it is ready to deliver for the future. This includes the adoption of a regional approach to ensure that work is joined up in places: North, Central, London and the South. As future contracts are rolled out, they will follow the same regional approach reinforcing collaboration in places across the GPA teams.

Over the last year, The GPA has built capacity, alongside capability to deliver. Headcount has grown from 338 to 409 since last year. This number includes contingent labour and loans into the GPA as well as its staff. The GPA's staff are supported by four strategic partners working side by side as part of the wider GPA family.

Nationally-focussed divisions include:

- **Client Solutions:** leads all client-related and business development activity. Its focus is to build relationships, ensure excellent client satisfaction in its services, and help its clients shape estate strategies and manage occupancy to match their workforce plans.

- **Chief Operating Officer:** enables the GPA to deliver its outcomes, coordinating performance and providing support in commercial, legal, technology, data, security, people, and marketing & communications.

- **Finance:** responsible for financial reporting to the GPA stakeholders, financial planning, accounting policy, financial transaction processing including that outsourced to the Property Partner, commercial input including leading on investment appraisals, all finance business systems, external audit and the GPA financial control framework. The property partner delivers full financial services on behalf of the GPA for financial reporting, planning and control, balance sheet controls and accruals accounting, transaction processing, preparation of property & client budgets and client billing.

Three divisions that collaborate across the regions to deliver for clients and customers are:

- **Property:** manages property portfolio and undertakes transactions at best value, using the government covenant to meet client needs, and manages relationships in places with local authorities.

- **Workplace Services:** supports customers in moving to, and using, workplaces in a way that is both popular with customers and enhances client satisfaction. The GPA uses customer insight to influence service delivery and focus investment to improve the condition and sustainability of buildings.

- **Capital Projects:** delivers office development and optimisation programmes, generating growth in every nation and region of the UK, through investment in a transformed, sustainable and value for money estate for civil servants.

Executive team

The GPA has continued to strengthen its executive team during 2022/23. The team has included two interim appointments with a permanent CFO appointed at the end of the year, and the process to recruit a permanent COO in progress.

Staff engagement

The GPA takes the opinions of its people seriously listening to their experience, concerns and aspirations. It participates in the annual Civil Service People Survey and based on the feedback obtained from the survey, action plans are developed for the year ahead.

The GPA's response rate for 2022 was 100%, for an incredible third year in a row. The results revealed an increase on most of the survey's metrics including employee engagement which increased from 60% to 66%. For next year, the GPA is creating a corporate action plan to address three focus areas - Pay, Reward and Benefits; Support to do the Job; and Respect and Inclusion. Business divisions will also develop action plans to address these areas plus two further themes identified from their business level results.

Core skills

There are four skills that everyone in the GPA needs at some level to be effective in their role: customer service perspective; commercial acumen; property market knowledge; and innovation.

This year, the GPA began work to refresh its core skills framework and to benchmark it with industry best practice. Next year, the plan is to use the newly benchmarked and objective core skills assessment to identify any skills gaps across the business, and build skills for success.

Specialist skills

The GPA's success depends on attracting and retaining professionals with the capabilities to make a difference to its clients and customers e.g. specialist skills in property, project management and finance. By the end of this year, 38% of the GPA's people had achieved chartered status for their specialism, incentivised by a recruitment and retention allowance.

Next year, the GPA will refresh its specialisms and the support provided to its people to ensure that it has the skills needed for the future.

Equality, diversity and inclusion (EDI)

The GPA is committed to creating a great place to work where everyone feels included and valued. The GPA has a zero-tolerance approach towards inappropriate behaviour at work. As an organisation, it is committed to:

- Eradicating all instances of unacceptable behaviours.
- Ensuring that when there is an instance of inappropriate behaviour, it is reported.
- Ensuring that everyone feels confident and able to speak up and is supported.

This year, the GPA partnered with Green Park Consultancy to undertake a cultural assessment, review and engagement audit. The GPA was assessed as at least ‘Compliant’ and at best ‘Progressive’, an excellent result for an organisation that is still reasonably young. This work will allow the GPA to drive forward its EDI plan next year in a meaningful way, enabling the GPA to become an employer of choice and a property industry leader in its EDI practices.

Women's network

In March 2022, a women’s network was established to understand and support women within the GPA, helping them build connections and create a supportive framework to discuss the journeys and the challenges they face – and to celebrate success too. The network has organised a number of events over the last year to help women advance their skills, confidence and ultimately their careers. These include face-to-face networking events and sessions on the menopause, mental health and empowering women.

Supply Chain

Strategic partners

The GPA is an intentionally lean organisation that relies heavily on its strategic partners and supply chain to deliver for its clients and customers. The GPA's strategic partners are not just those suppliers employed on high value/risk contracts but those suppliers who are willing to adopt a partnering approach for mutual benefit.

The GPA views its strategic partners as part of its community, working closely with four strategic partners: Atkins/F&G, AECOM, BNP Paribas Real Estate and Jones Lang LaSalle. The number of partners is not expected to grow to more than six. In February 2022, following wide consultation with partners, a Strategic Partner Charter was agreed which describes how the partners plan to collaborate in ten areas.

Procurement

The GPA is fully compliant with the Government Buying Standards (GBS). This year, to enhance capacity and provide better value, the GPA has tendered and awarded new contracts via the Crown Commercial Services for:

- Property partner - BNP Paribas Real Estate.
- Workplace performance partner - Jones Lang LaSalle.
- Regional operational security contracts.
- Regional construction contracts (projects up to £3m).
- New furniture supply contracts (interim).
- Property technology product contracts.
- Contracts for new finance systems.

The GPA has a full procurement pipeline for next year including:

- Regional facilities management contracts.
- Second generation design and project management / cost management contracts.
- Regional construction and fit out contracts.
- Utilities bureau.
- Furniture supply, install and recycle contracts.

Voice of the Supplier

The GPA has adopted the standard Cabinet Office 'Voice of the Supplier' survey. This survey is comprehensive and is widely used across government, it also has the benefit of consistency and enabling the GPA to benchmark its scores and feedback against other departments.

In September 2022, the GPA sent the survey to 83 representatives from 54 suppliers and received 28 responses. The results were encouraging with the GPA achieving an average overall approval rating of 76.7%, which is above the cross-government average survey score of 71.1%. The GPA is now working to respond to the feedback seeking to improve areas such as allowing sufficient time for bidders to respond, prompt payment and a review of contract management.

Corporate systems and data

In order to support future growth expectations, extensive transformation work is taking place across the GPA to automate processes, create new data and insight, and improve productivity. This investment in systems and processes will enable the organisation to scale efficiently and effectively.

The transformation includes the development of:

- New data platforms and reporting systems.
- New corporate information systems.
- Improved data governance and data quality.
- Clear ownership of master data in all the GPA's divisions.
- Automated processes and improved data integration services.

Data standards

The GPA utilises its Better Building Information Modelling (B2IM) data standard to ensure the ready transfer of data between systems. This year, the B2IM Programme has made significant headway through the strong working partnership with Atkins embedding the standard into new contracts across all areas of the GPA's work.

Integrated Workplace Management System (IWMS)

To support the Workplace Services Transformation Programme, the GPA has procured an IWMS system that will transform the way it manages its workplaces. A minimal viable product of the Planon platform is now live and being used at two GPA properties to improve asset management, supply chain integration and overall customer experience.

Next year, working closely with Jones Lang LaSalle, the Workplace Performance Partner, the GPA will expand the coverage of the new system to cover all the properties into which the GPA supplies workplace services. The Planon platform will also form a key element of the new customer helpdesk, which is planned for launch next year.

Finance systems

This year, to improve financial management, the GPA procured, configured and integrated three new finance systems:

- An enterprise budgeting and forecasting tool – **AnaPlan.**
- A general ledger system – **Business Central.**
- A purchase-to-pay (P2P) tool – **Proactis.**

Following integration, testing and training, these tools launched in April 2023. The GPA will continue to use its property platform, Horizon, for billing and receipts.

Client relationship management

This year, the GPA defined requirements for a client relationship management (CRM) system to improve services to clients through better consolidation of client data and automation of client-facing processes. The intention is to deliver a Salesforce Phase 1 minimal viable platform by late summer 2023, followed by Phase 2 with further enhancements by March 2024.

Environmental, Social & Governance (ESG)

The GPA is committed to Environmental, Social and Governance principles. As an organisation with a substantial portfolio of government properties, the GPA recognises its responsibility to operate in a manner that is environmentally sustainable, socially responsible and governed with integrity and transparency. To this end, this year the GPA has produced a dedicated ESG Report which is published separately**.** A summary of the key areas is provided here:

Environmental

The UK has an ambitious sustainability target by which it seeks to cut greenhouse gas emissions to Net Zero by 2050. As the strategic leader of sustainability across the government office portfolio, the GPA is committed to meeting targets ahead of those set nationally, with the following aims:

- Cut direct emissions [Scope 1] from offices by 50% by 2027 ahead of the 2032 government target;
- Cut direct emissions [Scope 1] from offices by 78% by 2035 ahead of the 75% by 2037 government Net Zero Strategy target; and
- Reduce overall office emissions to reach Net Zero ahead of the 2050 government target.

The GPA has challenging targets in this area including seeking to remove all buildings with an EPC rating of C or below from the portfolio by 2030. This year, baselining began on the GPA-managed estate to identify the performance gap. It will be a challenge to meet the target, especially as government departments transfer assets to the GPA that may have poor EPC standards.

Sustainable construction

The GPA's environmental work is underpinned by industry standards. It is a member of the UK Green Buildings Council, the Better Building Partnership and the Institute of Environmental Management and Assessment.

In August 2022, the GPA published the Net Zero Sustainability Annex of the Workplace Design Guide on GOV.UK. The Annex sets out the standards that new build and refurbished buildings must meet to achieve the UK government’s Net Zero commitment.

The GPA also uses the Net Zero Playbook, released by the Office of Government Property, as the basis of a maturity assessment of its projects and trajectory towards achieving Net Zero. Drawing on the above, the GPA has set out high level performance targets for offices.

The GPA has set minimum requirements of BREEAM “Excellent” for new builds and “Very Good” for refurbishment. The GPA is exploring, among other things, NABERS UK accreditation by working toward NABERS 5 at Croydon, Ruskin Square.

Net Zero programme

This year, the GPA has continued its evidenced-based sustainability interventions. It has reduced emissions through 50 projects including LED lighting upgrades, Heating, Ventilation & Air Conditioning (HVAC) / Building Management System (BMS) projects and Photo-Voltaic (PV) projects and saved over 1,200 tCO_2e pa (£600k pa on utilities) realised to date. Installation of smart sub-meters also continued with a further 10 buildings completed this year to prove outcomes and to drive reductions in operational energy use.

Progress in PV delivery has been slower than anticipated as projects were paused after having identified a risk of modern slavery in the supply chain. The programme is mitigating this by appointing a PV specialist to provide the GPA assurance that all PV panels purchased are free from modern slavery concerns. Nine EV charging projects have been completed to assist its clients in decarbonising their vehicle fleets.

Next year, Net Zero roadmaps will be developed to provide a more holistic view of the government office portfolio and its pathway to Net Zero. The GPA will also continue to share wider lessons learnt on the retrofit journey with wider industry.

The GPA has put targets in place for new energy efficient buildings and retrofitted assets under the workplace design guide net zero annex. The GPA also has the Net Zero programme responsible for retrofitting low carbon interventions across the existing estate all of which will support the government's commitment to Net Zero by 2050. Better sub metering and the introduction of a utilities bureau will allow better energy baselines against which to measure success. Currently the GPA is on track to meet the 50% reduction in scope 1 emissions by 2032.

Energy management

This year, the GPA has adopted a Zero Carbon for Business tariff for directly contracted electricity. Next year it is proposed to transfer additional sites to this tariff, and to adopt energy use intensity (kWh per m2) as a standard metric across the estate to measure the impact of its interventions.

The GPA has continued with improvements to the Whitehall District Heat Scheme. The works include replacing plate heat exchangers which will result in a 17% tC02e reduction on project completion. As well as improving the performance of its own district heat system in Whitehall, the GPA is seeking opportunities to connect with other systems, including in Bristol.

Waste management and single use plastics

The GPA is reducing use of single use plastics and offering segregated recycling. Pathways have been established for the reuse and recycling of furniture and computer systems at the end of their use in the GPA's buildings.

The GPA is proud to be supporting its supply chain to minimise waste during construction, and plans to continue to engage suppliers on ways to reduce waste both in construction and operation of properties limiting the amount of waste sent to landfill.

Climate Change Adaptation

This year, the GPA started work on a Climate Change Adaptation Risk Assessment, which is based on the Office for Government Property Framework. Development of the preliminary risk assessment will be continued next year, and will consider what action may be needed as part of a wider Climate Change Adaptation Strategy.

The GPA is already working with developers to design new buildings to be climate resilient. For example, new buildings have their main IT system on the first floor to reduce likelihood of damage during floods. The GPA also ensures that sustainable urban drainage is considered for all construction projects.

Nature recovery and biodiversity

The GPA has set a target to achieve a Urban Greening Factor target of 0.3 and 10% biodiversity net gain. The GPA aims to minimise negative impact on nature and support biodiversity recovery and is collaborating with the Joint Nature Conservation Committee to add a Biodiversity Annex to the GPA Workplace Design Guide. The GPA's plans for nature recovery for next year include projects to create two new habitats for UK Biodiversity Action Plan priority species.

Government Greening Commitments

The Government Greening Commitments (GGC) set out the actions UK government departments will take to improve sustainability. The GPA is automating the provision of GGC data gathered from the estate to clients. Table (1) below shows the greenhouse gas emissions for the GPA’s operations, it does not include the portfolio the GPA manages. The data only includes those in scope for reporting and has been extrapolated from full building data based on estimates of space occupied. Estimates of data have been applied where not available*.

Greenhouse gas (GHG) emissions		**2021/22**	**2022/23**
Non-financial indicators (tCO_2e)	Total Gross Scope 1 (Direct) GHG emissions	22.20	19.69
	Total Gross Scope 2 (Energy indirect) emissions	36.38	37.39
	Total Gross Scope 3 (Official business travel) emissions	25.27	3.42
	Total emissions - Scope 1, 2 & 3	**83.85**	**53.67**
Financial indicators	Expenditure on official business travel	**309.56**	**1,060.59**

(£000)				
Non-financial indicators (MWh)	Electricity: non-renewable		171.34	193.66
	Gas		121.20	70.05
	Total energy		**292.54**	**263.71**
Financial indicators (£000)	Expenditure on electricity		24.15	33.68
	Expenditure on gas		2.82	3.60
	Total expenditure on energy		**26.97**	**37.28**
Waste			**2021/22**	**2022/23**
Non-financial indicators (tonnes)	Non-hazardous waste	Landfill	0.29	0.02
		Reused/recycled	3.02	7.46
		Composted	0.15	0.14
	Incinerated with energy from waste		1.01	0.82
Waste			**2021/22**	**2022/23**
Non-financial indicators (m^3)	Total waste (tonnes)		**4.48**	**8.44**
Financial indicators (£000)	Total expenditure on waste disposal		**88.50**	**95.97**
Water			**2021/22**	**2022/23**
Non-financial indicators (m^3)	Total water consumption (m3)		330.12	397.00
Financial indicators (£000)	Total expenditure on water supply		**0.50**	**1.00**

*Assumptions/ Notes

- Data based on the main GPA office locations and only including those in scope for reporting. Data has been extrapolated from full building data and is based on estimates of space occupied.

- Estimates of data have been applied where not available.
- Official business travel and paper use has not been included as this forms part of the Cabinet Office data return. This is also the case for Ultra Low Emission Vehicles (ULEVs).
- 2021/22 data included business travel and also an additional building which has now been excluded as it is reported by another government department. This means 2021/22 and 2022/23 data cannot be fully compared to each other.
- Scope 3 includes emissions from distribution losses from electricity.
- Full figures for utility costs are not available. Figures shown for entries on ledger. Figures for waste are not available.
- Scope 1 and 2 emissions are fairly similar this year compared to 2021/22 whereas waste and water have both increased in 2022/23 vs 2021/22. We attribute these changes to 2021/22 having varied occupancy at different times of the year due to Covid-19 and the GPA having doubled in size.

In November 2022, the GPA added a Sustainability Sub-Committee (SusCo) to its governance structure. Reporting directly to the Executive Committee, SusCo's purpose is to provide strategic leadership for sustainability across the GPA and to make key decisions for implementing initiatives and committing resources.
The GPA will communicate its progress to a set of defined targets via its ESG report. Going forward, its work will involve:

- Reducing emissions in its own operations by requiring all its new build and major refurbishments to be Net Zero aligned; strategically exiting from inefficient buildings; improving utilities efficiency; and transitioning to green energy, including having no ICE vehicles in its fleet by 2027.
- Supporting its value chain to minimise emissions: it undertakes robust supply chain audits, requires its suppliers to adhere to strict environmental standards, and is helping to educate them where necessary to support their own Net Zero transitions.
- Continuing to invest, where feasible, in carbon sinks; by creating new biodiverse habitats.
- Using Government Soft Landings to ensure sustainability deliverables are included in the project gateway reviews

The GPA will continue to invest in interventions that enable it to deliver the UK government's national target of Net Zero by 2050.

Social

Economic impact in place

The GPA delivers significant economic impact in places through the hubs programme and other investments including Lifecycle Replacement and Net Zero interventions.

Example: Darlington

The GPA is developing a number of hubs across the North including the Darlington Economic Campus (DEC). The DEC comprises seven departments including HM Treasury and Department for Business and Trade. There has already been positive economic development as a direct result of the interim DEC solution at Darlington Feethams House. The permanent solution at Darlington Brunswick Street will extend the economic benefits further and support the government's priority for Levelling Up. The economic and social value of a hub in Darlington was assessed to be between £838m and £908m over 20yrs, based on 1,000 relocated roles to Darlington, comprising:

- Economic value of between £598m and £668m;
- £210m of wellbeing value through creating new roles in the North East.
- £16m of wellbeing value from higher skilled roles.
- £5m of productivity benefits from smarter working in a hub location.
- £7m of social value for staff of smarter working in a hub location.
- £3m of social value for the public of a more decentralised Civil Service benefitting households in the North East.

Health and safety

The GPA takes the health and safety of all those who work in and on its estate very seriously and it continues to be a priority focus for the Board. The GPA reports safety against the RIDDOR framework monthly to the Executive Committee. The GPA is proud of its record of having no RIDDOR reportable incidents during this reporting period while continuing to work with service providers to improve health and safety processes for clients. Next year, an accident frequency will be introduced into the GPA reporting cycle.

The GPA Health and Safety Policy sets out the key priorities for health, safety and wellbeing as well as the duties of individuals who are responsible for maintaining a safe estate for the GPA's staff, clients and the general public. Health and Safety Committees meet quarterly and include union representation, supported by sub-committees dealing with the GPA's people and construction work.

This year saw the GPA introduce its first multi-occupancy health and safety committees at London, 2 Marsham Street and London, GOGGS building and subsequently at other managed sites. These have been very successful in developing a working partnership across trades union representatives, client representatives and supply partners. This network will be expanded further across the GPA estate during the coming year.

Governance

Physical security

The GPA's approach is to design in security from the outset for new buildings and major refurbishments based on its Threat and Risk assessments. For existing buildings, the GPA conducts routine security assurance assessments to consider property structure, security technology and operational security arrangements.

Sustainable procurement

The GPA requires that social value accounts for at least 15% of the scoring of all commercial procurement tenders. This ensures that social value is embedded into every competitively awarded contract with the GPA.

The GPA requires that all its suppliers pay the minimum wage, and is working towards a Living Wage standard across its supply chain. The GPA is also committed to the government's Prompt Payment Code.

Data protection and information security

The GPA takes data protection and the security of the information it holds on properties and on behalf of its clients very seriously. Information risk assessments have been completed on multiple GPA technologies including critical services to clients, and information risk assessments completed in its properties, and Information assurance clauses are established for new contracts and embedded into the GPA's commercial processes.

Ethical behaviour

The GPA is committed to behaving ethically. How the organisation behaves and presents itself is the single most important element of how it achieves success. The GPA has committed to transparency, honesty and fairness as part of its seven corporate behaviours and has signed up to the Cabinet Office Modern Slavery Statement.

Counter fraud, bribery and corruption

The management of fraud, bribery and corruption is a critical part of good governance. This year, the GPA has established a Counter Fraud Strategy detailing its approach to countering fraud, bribery and corruption and highlighting how to escalate concerns. The GPA has carried out Fraud Risk Assessment exercise in line with Cabinet Office Fraud Functional standards and continues to work to risk-assess processes and practices, to identify and mitigate fraud, bribery and corruption risks.

Finances

In common with other parts of government, HM Treasury agreed a funding settlement to cover the Spending Review (SR) period. The GPA's SR21 funding settlement covers investment in the estate including hubs, lifecycle costs and net zero interventions for the three years to 31 March 2025.

In the revised GPA Framework Document, which was agreed with HM Treasury and Cabinet Office and published in December 2022, new and existing delegated powers, specific to the GPA, were set out to enable it to better carry out its business as a commercial property agency for the government. These tools, which span the GPA's pricing model, its revenue and capital programmes, and acquisitions and disposals, give the GPA greater freedom to manage its finances within the constraints of government accounting.

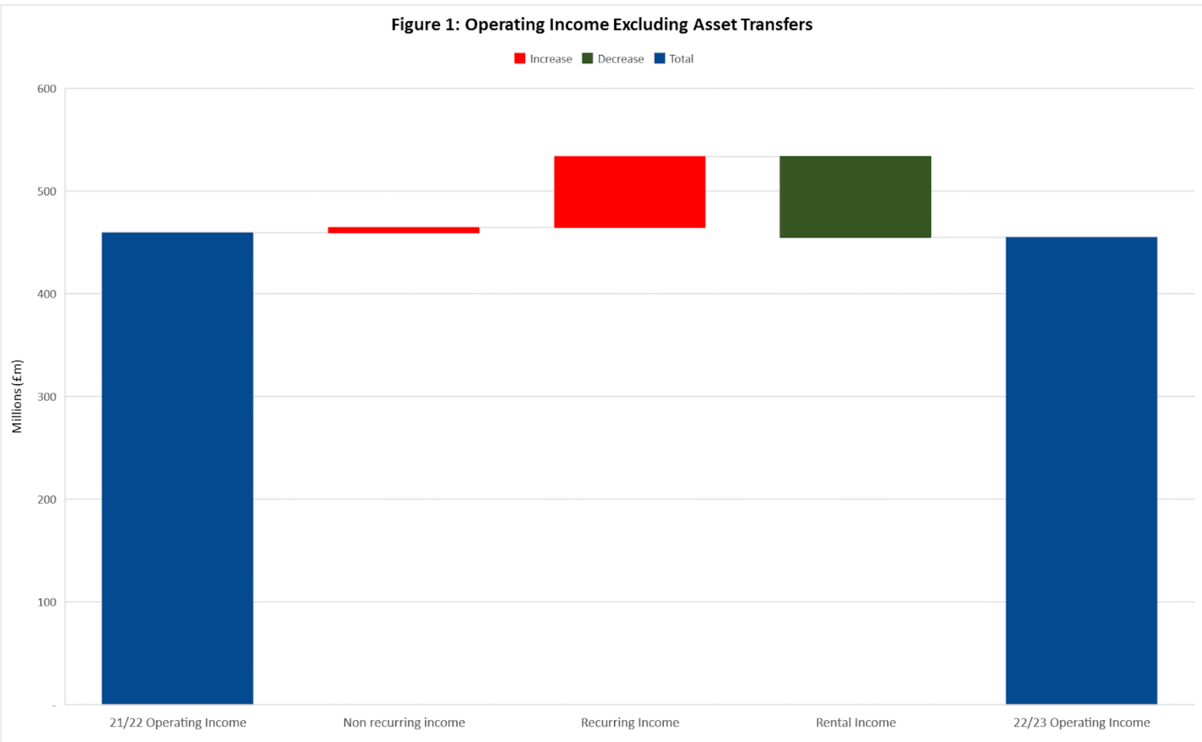
Operating income £485.4m (2021/22: £1,234m)

Total operating income reduced by £748.6m in 2022/23 to £485.4m. The main reduction is from asset transfers (£744.9m) where one-off income is recognised as the transfers are recognised as capital grant-in kind. In 2021/22 three large PFI properties and seven freehold properties were onboarded. During 2022/23 the estate has grown at a slower rate comprising the freehold onboards of Southampton, Spring Place 105 (£10.6m) and Bristol, Berkeley House (£2.5m) and leasehold improvements for London, 102 Petty France (£6.7m), Heathrow, Mondial Way (£6m) and Newcastle Upon Tyne, Bridge House (£4.7m).

Additionally, rental income recognised in 2022/23 reduced by £78.4m due to the adoption of International Financial Reporting Standards (IFRS) 16 in the year, as rental income is derecognised for subleases which are classified as finance leases within the scope of IFRS 16. Further information on the impact of implementing IFRS 16 is provided below.

These reductions in income have been partially offset by increases principally generated from the growing size of the estate, the full year impact of properties onboarded in 2021/22 and fees earned from an increasing range of services. Recurring income has increased by £69m due to other landlord services (£43m); rates (£11m), workplace services (£9m), logistics services (£4m) and management fees (£2m). Non recurring income has increased by £5m due to an increase in additional Property and project Services (£11.9m) and gainshare (£3m) offset by reductions in capital grants (£6m) and consultancy services (£4m).

Changes in year-on-year income excluding asset transfers illustrates the underlying performance of the GPA as shown in Figure 1 below.



Operating expenditure £583.5m (2021/22: £1,060m)

Total operating expenditure has reduced by £477m in 2022/23 to £583.5m. This predominantly arose from the reduced level of asset transfers in the year compared to 2021/22, where the associated PFI finance liability transferred to the GPA and was recognised as expenditure in the year of transfer. As a consequence, non-cash items reduced from £618.2m in 2021/22 to £111.6m in 2022/23.

Landlord Services expenditure reduced by £15.0m, largely caused by the adoption of IFRS 16 which resulted in lease payments which, in prior years, were treated as costs being capitalised as a right of use asset and depreciated over the lease term for 2022/23 onwards.

These reductions were partially offset by increases in other cost headings which have arisen from the growth in size of the GPA's estate and the full year impact of asset transfers in 2021/22. Other operating expenditure increased by £30.9m, predominantly due to higher professional services costs, reflecting the increased scale of business activity and the significant capital investment programme delivered during 2022/23. Staff costs increased by £6.4m as the GPA continued to grow its team to support its increased estate, clients and range of services delivered. Workplace Services expenditure similarly increased by £7.3m.

The underlying changes in expenditure between years are more readily illustrated by excluding the effect of asset transfers which are the primary drivers of the non-cash expenditure category. Figure 2 below illustrates the year-on-year changes in costs by cost category excluding non-cash expenditure.

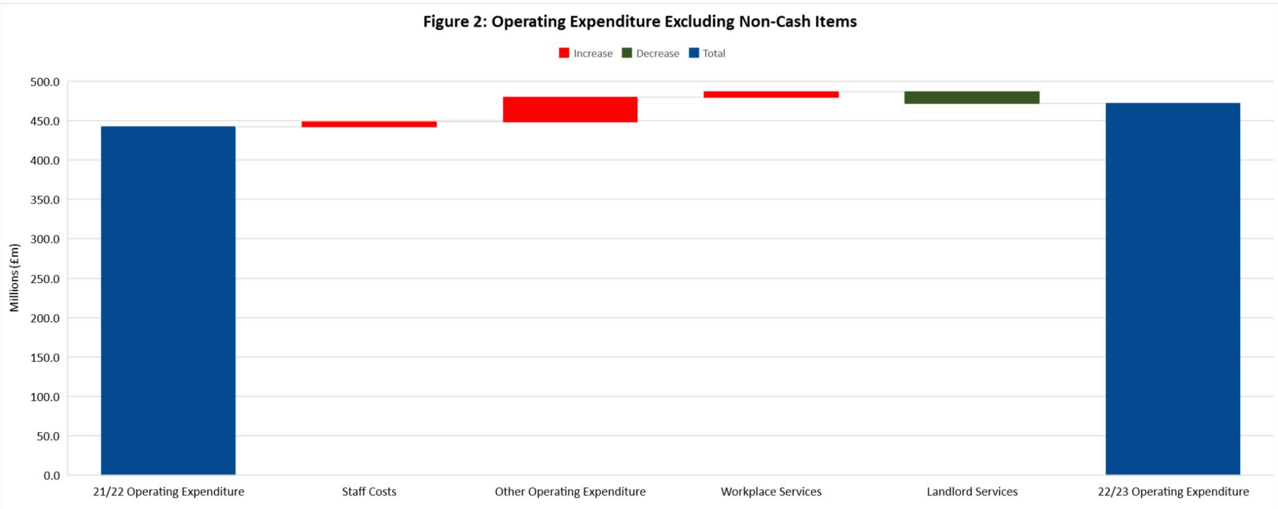


Figure 2: Operating Expenditure Excluding Non-Cash Items

Property assets

The Statement of Financial Position as at 31 March 2023 shows the GPA with property assets valued at £2.1bn (2021/22: £1.9bn) as shown in figure 3 below. The increase of £0.2bn year-on-year is principally due to recognition of right of use assets following adoption of IFRS 16 (£0.3bn) and increase in assets under construction (£0.2bn), offset by property impairments (£0.2bn) and depreciation(£0.1bn).

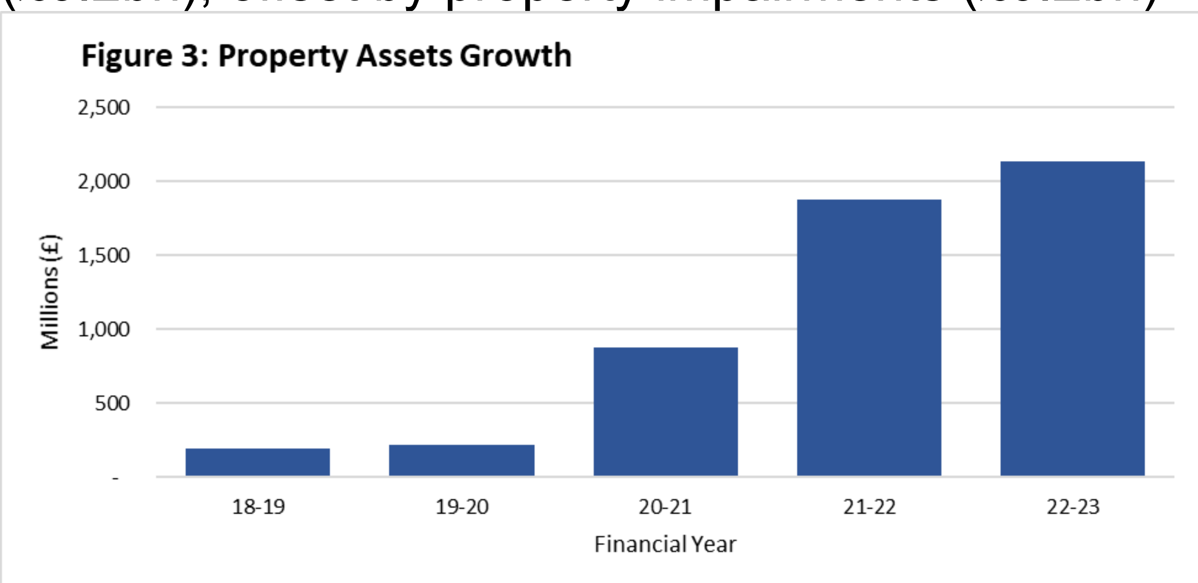
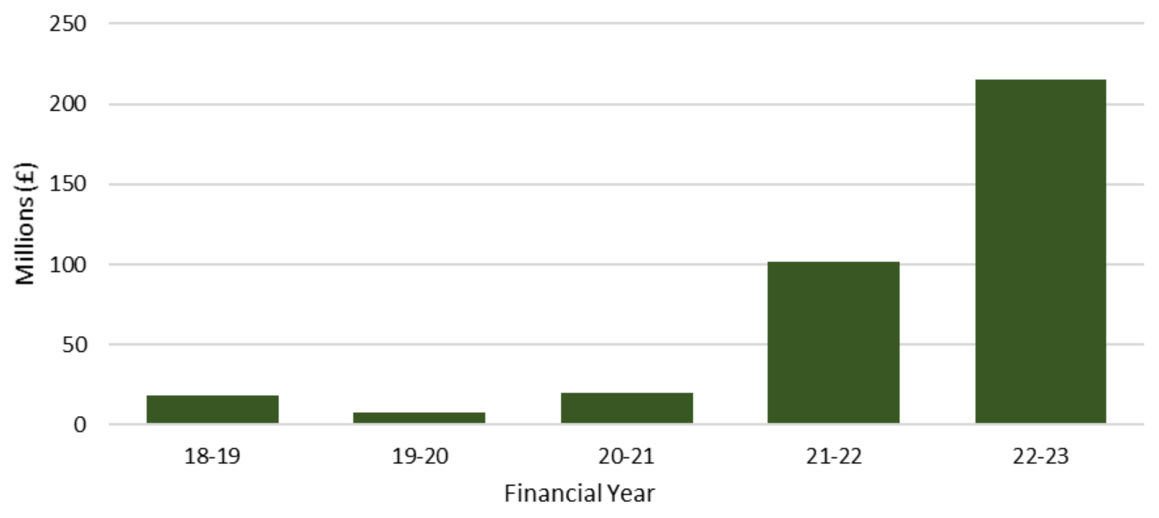


Figure 3: Property Assets Growth

Capital investment £215m (2021/22: £102m)

Capital investment (defined as outturn against capital budget excluding IFRS 16) more than doubled from £102m in 2021/22 to £215m in 2022/23 as shown in figure 4 below. The main areas of investment in 2022/23 were in Capital Projects (£108.4m) which includes the Whitehall Campus Programme (£51.2m) and Peterborough hub (15.6m), numerous Lifecycle Replacement (£62.8m) and Net Zero (£25.8m) projects, and Technology (£4.5m). This investment continues to reflect the GPA's priority of making office space greener with improved hardware and technological equipment that support delivery of long-term productivity gains for clients and customers, reduce environmental impact and enable more effective working in the GPA offices..

Figure 4: Capital Investment by Financial Year



Debt

Debt management performance has continued to improve throughout the year. At 31 March 2023, amounts receivable from clients was £23.0m (2022: £28.1m). The average period amounts receivable, were outstanding ('debtor days') was 82 days as at 31 March 2023 (2022: 103 days). When the amounts billed in respect of the second calendar quarter of 2023 but which were not due for payment at 31 March 2023 are excluded, GPA debtor days fell to 42 days. This shows improvement in the year against the 103 days average payment period at 31 March 2022, and while still higher than the thirty day target demonstrates the significant progress made, with clients now paying new invoices more promptly.

To further improve the speed at which it collects payment from its clients, the GPA continues to focus on forecasting, reconciliation and billing processes to improve bill accuracy, reduce areas for dispute and support debt collection. Progress has been positive, supported by good client engagement and the positive impact of the introduction of BNP Paribas Real Estate as the GPA's new property partner. Billing KPI's are being consistently achieved with over 95% of invoices not queried by clients and less than 2% of invoices needing amendment. This is enabling the GPA to recover an increasing proportion of quarterly debts on or before the due date, while freeing up resources to focus on collection of older debts over 150 days old, which have reduced to £10.0m at 31 March 2023 (2022: £13.3m).

Benefits

The GPA has delivered significant benefits since its formation, through both cost savings and other benefits including efficiency gains and creation of wider socio-economic benefits. It continues to evolve and strengthen its processes over the capturing and reporting of all material benefits arising from its creation and operations and the embedding of those processes as part of its standard operating procedures. A full review of benefits generated to date is currently in progress.

Following amendments to HMT's Green Book in 2022, the GPA has developed a new methodology for the registering of Benefits to include socio-economic benefits from the economic contribution of roles moved from London, construction Gross Value Added (GVA) and distributional benefits based on relocated roles that support additional economic activity.

Lease accounting and first year adoption of International Financial Reporting Standards (IFRS) 16

The GPA has assumed the obligations for leases held by its clients when those assets were transferred to the GPA.

Lessee accounting

The GPA adopted the new lease accounting standard, IFRS 16, for the first time in 2022/23 which has had a significant impact on the presentation of its financial statements.

IFRS 16 removes the distinction between operating and finance leases for lessees. Hitherto, most property leases were accounted for as operating leases, with rent being charged as an expense as incurred, and without recognition of any liability for future contracted rent. IFRS 16 instead requires the recognition of a right of use asset and corresponding lease liability in the GPA's statement of financial position, with depreciation and finances charges recognised in its statement of comprehensive net income instead of rent.

The GPA has adopted the 'modified retrospective transition' option permitted by IFRS 16 and has measured its right of use assets on transition at the amount of the lease liability on adoption. Under this approach, restatement of comparative periods is not required, however the opening Statement of Financial Position includes an adjustment to taxpayers' equity at 1 April 2022, increasing the General Fund by £7.3m, as shown in the Statement of Changes in Taxpayers' Equity.

At 31 March 2023, the GPA had recognised depreciation expenditure on its right of use assets of £26.8m and interest expenditure of £8.6m on its lease liabilities.

Lessor accounting

As a lessor, the GPA assesses whether the lease should be treated as a finance lease or an operating lease. Where it is determined that a finance lease is the appropriate treatment, the right of use asset has been derecognised in favour of a lease receivable. The GPA has recognised £19.9m of interest income from its lease receivable assets.

On the Statement of Financial Position at 31 March 2023 the GPA held right of use assets valued at £331.8m, lease receivable assets valued at £678.0m and lease liabilities valued at £997.8m.

The GPA's financial plan for 2023/24

The Financial Plan delivers the next steps in the GPA's 10-year Strategy which will realise the benefits envisaged in its New Property Model.

- **Growth across the UK** – invest in supporting economic development post COVID-19 improving efficiency and effectiveness and the quality of office accommodation.

- **Transform the Civil Service** – invest in interoperable technology, Smarter Working and Workplace Service Transformation to encourage modern, flexible ways of working, improving productivity and wellbeing for clients and customers.

- **Contribute to Net Zero** – invest in net zero interventions to deliver against the government's target of 50% carbon reduction in its offices by 2032.

- **Better value** – continue to grow the GPA business in 2023/24, onboarding additional assets and increasing turnover. To support improved productivity and wellbeing, the GPA will also invest in Lifecycle Replacement across the GPA managed estate.

Conclusion

It has again been a successful year for the GPA with improvements in the services that it provides to clients and customers, growth in the estate under its management, and significant change in how it operates, demonstrating that the GPA is no longer a start-up, but a maturing business.

Together with the rest of the property sector, the GPA has experienced big changes in working patterns which have reduced the utilisation of its offices. 70% of the GPA's office estate being leasehold allowing the release of space relatively quickly, and this year significant progress has been made in re-setting portfolio plans for towns and cities across the UK where the GPA operates enabling it to be agile in responding to this trend. This experience has also cemented the GPA's position as a thought leader on hybrid working based on extensive surveys of customer sentiment.

Despite these market challenges, satisfaction among the GPA's clients has continued to improve reaching scores of 61% a 13% increase year-on year with the objective of building on this further next year.

The GPA is ambitious for the future, and to help prepare for success, next year focus will be on supporting the GPA's teams, and embedding new contracts and systems to provide the best possible service and provide a solid platform for future growth.

I would like to thank everyone who has contributed to the success of the GPA business performance in 2022/23 including supply chain partners, and especially our hard-working colleagues.

Steven Boyd MBE
Chief Executive Officer and Accounting Officer
13 July 2023

Accountability Report

Overview

The purpose of the accountability report is to meet key accountability requirements to Parliament. The accountability report has three sections:

- Corporate governance report.
- Remuneration and staff report.
- Parliamentary accountability and audit report.

The Corporate governance report explains the composition and organisation of the GPA's governance structures and how they support the achievement of the GPA's objectives. The corporate governance report comprises:

- The Directors' report.
- The Statement of Accounting Officer's responsibilities.
- The Governance Statement.

The remuneration and staff report sets out the GPA's remuneration policy for Board members and how that policy has been implemented. In addition, the report provides details on remuneration and staff that are fundamental to demonstrating transparency and accountability.

The Parliamentary accountability and audit report brings together the key Parliamentary accountability disclosures including the Certificate and Report of the Comptroller and Auditor General to the House of Commons.

Corporate Governance Report

Directors' Report

Composition of Board

The GPA is led by the Chief Executive Officer (CEO) who has also been designated as Accounting Officer. This position is filled by Steven Boyd, who took up this post on 10 June 2019.

The GPA is governed by the GPA Board which is made up of two internal government Non-Executive Directors, one of whom is the UKGI shareholder representative, as well as six external independent Non-Executive Directors, one of whom is the GPA's Chair. All board member appointments have been made subject to ministerial approval. Board Members also include the GPA CEO and Chief Financial Officer.

The GPA's Board

Name	Title	Start Date	End Date
Pat Ritchie	GPA Chair	1 January 2020	31 December 2023
Jane Hamilton	Non-government GPA NED	27 April 2018	30 April 2024
Mark Collins	Non-government GPA NED	27 April 2018	30 Sep 2022
Robert Razzell	Stakeholder representative NED	27 April 2018	30 April 2024
Jonathan Thompson	Non-government GPA NED	1 August 2021	31 May 2025
Carol Bernard	Government NED CO HR NED	1 June 2022	31 May 2024
Ronen Journo	Non-government Property NED	1 April 2023	1 April 2025
Helen Gillett	Non-government Property NED	1 April 2023	1 April 2025
Roger Blundell	Non-government Property NED	1 April 2023	1 April 2025
Steven Boyd	CEO	10 June 2019	N/A
Paul Hemsley	Interim Chief Financial Officer	1 September 2022	28 February 2023
Nicholas Brown	Chief Financial Officer	15 May 2023	N/A

The GPA's Executive team

Name	Title	Start Date/Finish Date
Steven Boyd	Chief Executive Officer	10 June 2019

Debra Soper	Chief Operating Officer	4 May 2021 to 31 December 2022
Neil Williams (Interim)	Chief Operating Officer	1 January 2023
Alan Whitelaw	Director, Property	18 June 2018
Dominic Brankin	Director, Workplace Services	14 January 2019
Clive Anderson	Director, Capital Projects	1 December 2021
Yvette Greener	Director, Client Solutions	1 December 2021
Nigel Beckett	Director, Finance	1 October 2021 to 31 August 2022
Paul Hemsley (Interim)	Chief Financial Officer	1 September 2022 to 28 February 2023
Nicholas Brown	Chief Financial Officer	15 May 2023

Management of interests and business appointments

All GPA staff are bound by the Cabinet Office conflicts of interest and business appointment rules, including those pertaining to Civil Servants leaving Crown Service. In compliance with Business Appointment rules, the GPA is transparent in the advice given to individual applications for senior staff, including special advisers, as dictated by the Cabinet Office. This advice is published on the Cabinet Office's Business Appointment Rules page found here:

https://www.gov.uk/government/publications/cabinet-office-business-appointment-rules-advice

The GPA assures itself that former employees leaving the Civil Service comply with these Business Appointment rules by working with the Business Appointments team. Due diligence is carried out for each leaver to understand what safeguards need to be put in place, depending on where the individual is moving to. For example, mechanisms such as Non-Disclosure Agreements would be put in place should there be a move to a supplier or competitor. The Audit and Risk Committee is kept abreast of such situations.

At Board level, all members are required to complete a conflicts of interest form, and this is reviewed on an annual basis to ensure it remains up to date.

A Board member register is also maintained and formal minutes of any new conflicts are taken at the start of each Board meeting. The Board member conflicts of interest register is published on the GPA GOV.UK pages and can be found in its entirety here:

https://www.gov.uk/government/publications/government-property-agency-register-of-board-members-interests

Over this reporting period there has been no recorded conflicts of interest.

Data loss

There have been no records of personal data losses since the launch of the GPA in April 2018 that required it to be reported to the Information Commissioner's Office.

Statement of Accounting Officer's Responsibilities

Responsibilities

Under the Government Resources and Accounts Act 2000 (the GRAA), HM Treasury has directed the GPA to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the GPA and of its income and expenditure, Statement of Financial Position and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the *Government Financial Reporting Manual (FReM)* and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis.
- State whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts.
- Prepare the accounts on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The GPA accounts have been prepared on a statutory basis in accordance with the requirements of HM Treasury and are designed to comply with generic Accounts Directions issued to agencies by HM Treasury under section 7 (1 and 2) of the GRAA.

HM Treasury has appointed the Principal Accounting Officer of the Cabinet Office as Accounting Officer of the GPA. The Principal Accounting Officer of the Cabinet Office has sub-delegated his Accounting Officer responsibilities for the GPA to the GPA Chief Executive Officer and Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the GPA’s assets, are set out in Managing Public Money published by the HM Treasury.

The financial statements are audited by the Comptroller and Auditor General, who is appointed under statute and reports to Parliament on the audit examination.

As the Accounting Officer, I have taken all the steps that I ought to have taken to make myself aware of any relevant audit information and to establish that the GPA’s auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

Overview

As Accounting Officer, the CEO of the Government Property Agency (the GPA) ensures that he adheres to the principles and standards set out in HM Treasury’s ‘Managing Public Money’ guidance, including in terms of governance, decision-making and financial management. The GPA continues to monitor and evolve the quality of information provided to the Board to support effective decision making. This governance statement sets out frameworks, processes and supporting evidence to provide assurance on how the GPA has managed risks and complied with good corporate governance.

Governance and framework

The GPA has a robust system of governance that is continuing to develop and strengthen.

The GPA is an Executive Agency of the Cabinet Office and reports to Cabinet Office ministers through the Chair of the Board. The Director General Government Property in the Office of Government Property (OGP) is the Senior Sponsor and has oversight of the policy objectives that the GPA is required to deliver. UK Government Investments (UKGI) undertakes the role of Shareholder Representative on behalf of the Cabinet Office, with the Chief Financial Officer of UKGI as a member of the GPA Board. UKGI is responsible for promoting corporate governance and financial best practice. Additionally, to ensure transparency, Cabinet Office finance representatives sit on the

Investment Committee and Finance Committee, with an independent finance representative, from the Home Office, sitting on the Audit and Risk Committee. The GPA also adheres to Treasury guidance on Managing Public Money, Risk Management, Internal Audit, Remuneration and Financial Delegation.

These relationships are formally articulated within a Framework Document that is reviewed every three years to ensure that it properly represents high level arrangements. UKGI undertook a comprehensive review of this document during 2022 reflecting new arrangements and current cross government guidance (the document received Ministerial approval).

Internal governance

The Board and its sub-committees from the GPA's top level of governance and provide an important link to ministers. The Board sets strategic direction for the GPA and over the past year has input to critical areas of work; in particular financial transformation, the development of GPA 2025, the GPA's annual Business Plan, the finalisation of the GPAs Framework Document and adoption of a new Property Partner.

The Board sub-committees are: Investment Committee, Audit and Risk Committee, and Remuneration Committee. Each is chaired by a GPA Board Independent Non-Executive Director.

The **Investment Committee** meets monthly. In October 2021, Lord Agnew (then Minister of State for the Cabinet Office) at his request was provided with a monthly approvals report for all investment decisions. The monthly approval report sets out key information and assurance of Investment Committee scrutiny of the material investments before onward submission to Ministers and HM Treasury. This additional period of scrutiny was officially lifted on 1 September 2022 by Minister Rees-Mogg. This committee ensures that the projects and programmes that are delivered are aligned with ministerial priorities, meet regularity and propriety requirements, are affordable and sustainable. It also oversees all contract and procurement activity for the Agency. Over the past year, alongside leases for new space and lease re-gears, this committee has approved business cases for Workplaces Services Transformation and re-procurement of a new Property Partner.
It has also approved capital projects supporting Places for Growth such as the Darlington Feethams temporary solution, 1 Victoria Street disposal, Manchester First Street and Bristol Temple Quay House. The GPA's Spending Review 2021 settlement will enable significant estate improvements, HMT front-loaded capital funding, and provide sufficient RDEL to progress all the projects funded with capital.

The **Audit and Risk Committee** supports the Board by ensuring that governance, risk management, internal controls and financial accounts are comprehensive and fit for purpose. Representatives from both the National Audit Office (NAO) and Government Internal Audit Agency (GIAA) are not members of this committee, however, they do attend its meetings. GIAA conducts a programme of audits each year informed by key the GPA's risks. This committee has been chaired by an independent Non-Executive Director, Jonathan Thompson until September 2022. Robert Razzell, UK Government Investments CFO took on chairmanship from December 2022, whilst in the process of recruitment to fulfil the vacant Non-Executive Director position.

The Chair of the Audit and Risk Committee attends the Cabinet Office Audit and Risk Committee meetings once or twice a year to ensure that GPA risks might impact on the Cabinet Office are managed effectively.

The **Remuneration Committee** has met twice in 2022 and is led by Pat Ritchie, Non-government GPA NED, to give independent scrutiny to Executive and senior staff performance management and succession planning. Two further Non-Executive Directors are on the committee with the GPA's Head of HR and CEO in attendance as appropriate. This year extensive work has taken place on the GPA's Remuneration Framework Proposal that seeks specific pay freedoms for the GPA.

The GPA's **Executive Committee** (ExCo) provides a link between the strategic direction provided by the Board and the day-to-day management of the GPA. ExCo has sub-committees too, each chaired by a Director which are described in more detail below.

- **Portfolio Committee**: develops high-level plans for the government estate by region and locality. Work over the past year includes development of local authority policy, review of the Rent Setting Policy and building metrics reporting within portfolio plans.

- **Asset Management Committees:** integrate approaches from across the GPA to the management of its buildings. The Committee sits for each of the GPA's four regions: North, Centre, South and London and has this year focused on asset data quality.

- **Data & Technology Committee:** manages the development and implementation of the GPA's Data and Technology strategies. Previously this has operated as two separate entities; Data Design Authority and Technology Design Authority; that has now been combined into one

Committee, with the inaugural meeting held on 17 November 2022, chaired by the Chief Operating Officer. The primary focus of this Committee will be to monitor and support the delivery of the data and technology commitments within the GPA strategic plan, annual business plans and supporting technology strategies. The committee will also monitor organisational compliance with the GPA’s technology and data standards and policies

- **Client Committee:** keeps the GPA’s clients (government departments) informed and is used to seek their views in shaping cross-departmental property related plans. This Committee has provided input to work to strengthen client and customer service and associated reporting.

- **Finance Committee:** attended by a Non-Executive Director and also a Cabinet Office representative, carries out a detailed review of the GPA’s financial position, balance sheet, cash flow and benefits. Areas of focus this year have included review of financial plans for the forthcoming year, scrutiny of financial performance during the year and monitoring progress of the Finance Solution programme.

- **Health & Safety Committee:** attended by Trade Union representatives, ensures that the GPA is protecting its people, commercial partners and customers in their buildings. Focus has been given to support clients as well as the maintenance of Health and Safety compliance to reflect hybrid working and other new ways of working. The Committee has also prioritised developing GPA-managed Health and Safety Committees in multi-occupancy sites, with the support of clients and Trade Union representatives to build and improve the safety culture across the GPA’s estate.

- **People Committee:** assists the Executive Committee in ensuring that the GPA’s people are supported. The People Committee meets bi-monthly and is currently focused on the development of the core skills analysis, the learning and development offer, diversity and inclusion and the people survey.

- **Sustainability Committee** - this is a new Executive Sub Committee which held its inaugural meeting on 28 November 2022. The purpose of the Committee is to assist the Executive Committee by providing strategic leadership on Sustainability, Environment, Net Zero, Climate Change, and

Social Value across the GPA, additionally making decisions on implementing key initiatives, resources, budgets and escalations. The committee has overseen the provision of a stand-alone ESG report.

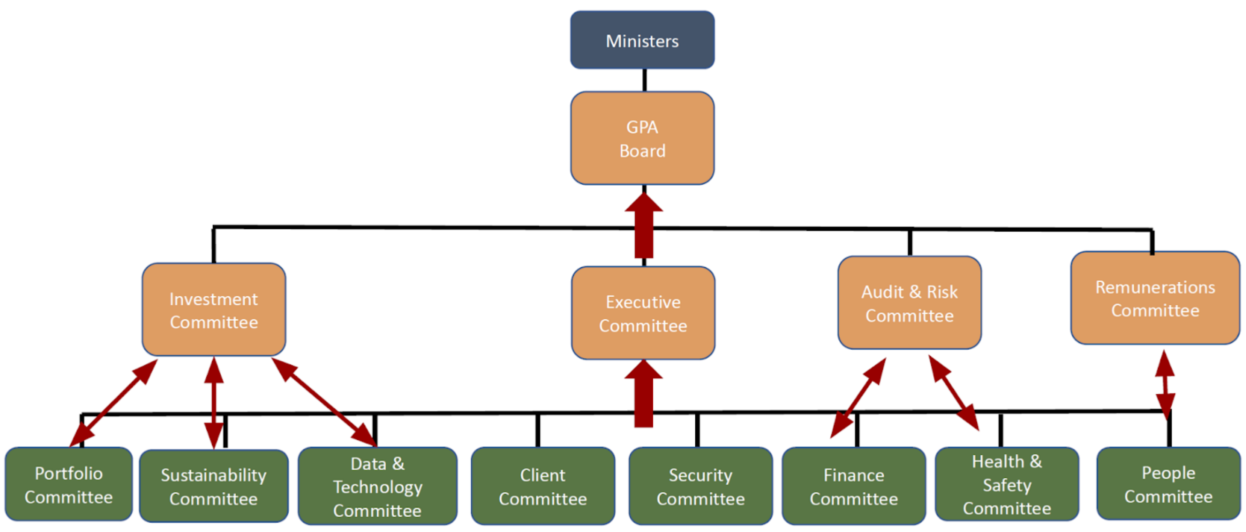
- **Security Committee:** The GPA is in the process of establishing this new Committee with the purpose to take all reasonable and practicable steps to maintain a safe and secure working environment which complies with statutory requirements for staff. The committee will also assist with the development and delivery of the GPA's Estate Strategy by providing advice and guidance for programmes of work.

These Board and Executive Committee subcommittees are supported by programme, contract management and union engagement structures.

- **Programme and project boards:** set the direction for, and manage the programmes and projects that drive change and delivery.

- **Contract management:** ensures each of the GPA contracts has a named contract manager who meets monthly with contractor representatives to assess performance, manage routine issues and review payment. All contracts also have a quarterly strategic review, attended by more senior staff, to test relationships, align strategies and plan for the future.

- **Union engagement**: The GPA has had regular engagement with unions both at a national level to discuss issues across its portfolio, and at the GPA level to discuss issues relating to the GPA's own people.



Board and sub-committee membership and attendance

The table below lists the Board members and their attendance at Board and Board sub-committee meetings over the 2022/23 reporting period. Mark Collins stood down on 30 September 2022, and was replaced by Jonathan Thompson as Chair of the Investment Committee on an interim basis until the newly recruited Non-Executive Director, Roger Blundell took up the position following appointment on 1 April 2023. In addition, Nigel Beckett, Finance Director returned to the Ministry of Defence, and as of 1 September 2022, Paul Hemsley took up the post as Interim Chief Financial Officer (CFO). Nicholas Brown joined as a permanent CFO on 15 May 2023.

Following the departure of the Sponsor Representative at Board level, and advice received during the recent external effectiveness review of the GPA Board, a recruitment exercise was carried out to appoint an additional Non-Executive Director for a period of three years, taking the number of external Non-Executive Directors from three to four, not counting the Non-Executive Chair. On 3 April the GPA announced the appointment of three new Non-Executive Directors to join the Board, Roger Blundell, Helen Gillet and Ronen Journo.

The appointment of the newly appointed NEDs will cover the departure of Mark Collins in September 2022 and address the appointment recommendation as per the Effectiveness review they bring a wealth of skills and experience to the Board.

Board Member	Role	GPA Board	Remuneration Committee	Audit and Risk Committee	Investment committee
Pat Ritchie	Chair, GPA	6/6	2/2	N/A	N/A
Steven Boyd	Chief Executive, GPA	6/6	3/3	5/6 (attendee)	9/12
Nigel Beckett	Finance Director, GPA (until September 2022)	1/2	N/A	2/2	4/5
Paul Hemsley	Interim Chief Financial Officer Director GPA	4/4	N/A	6/6	10/12

	(from 1 September 22 until 28 Feb 23)				
Jane Hamilton	Independent Non-Executive Director (Private Sector)	6/6	2/3	N/A	11/12
Mark Collins	Independent Non-Executive Director (Private Sector) (Until Sept 22)	3/3	1/1	N/A	4/6
Jonathan Thompson	Independent Non-Executive Director (Private Sector)	6/6	3/3	6/6	7/7
Carol Bernard	Non-Executive Director (Cabinet Office)	5/5	1/3	N/A	N/A
Robert Razzell	Non Executive Director (UKGI) Shareholder representative	5/6	0/1	6/6	4/4

NAO's Report on Managing Central Government Property

In July 2022, the National Audit Office (NAO) published the "Managing central government property" report, this is a comprehensive document examining how the Cabinet Office maintains, oversees and manages central government property. The NAO made a number of recommendations pertinent to the GPA.

The GPA is working with the GIAA and coordinating actions across departments.

Public Accounts Committee (PAC)

In October 2022, the Public Accounts Committee led an inquiry into managing central government property and considered how the Cabinet Office is managing central government property, including whether the government is getting value for money from its properties and whether it is on track to deliver promised savings. As a result, the GPA has committed to review the benefits and is working with the Cabinet Office to overhaul legacy IT systems, introducing a set of common platforms to seamlessly communicate and collaborate across government.

Public Administration and Constitutional Affairs Committee (PACAC)

In March 2023, PACAC led an inquiry that examined the progress made by the Cabinet Office and Government Property Agency, in delivering against this strategy and learning from previous policies on estates rationalisation and Civil Service relocation. It also examined the extent to which an updated strategy that was published in August 2022, successfully takes into account recent developments – such as changes in working culture and demand for office space following the COVID-19 pandemic. Further evidence has been submitted following the hearing in May 2023.

Governance Effectiveness Reviews

Annual Board effectiveness review

The GPA Board takes its responsibilities seriously and operates in a professional manner compliant with the principles of the Civil Service Code and upholds the seven principles of public life. The Board provides effective governance of the organisation and is actively engaged in making improvements to the governance system.

Following the 2021 external Effectiveness review of the GPA Board and its sub-committees the Board has continued to follow the recommendations by:

- Assisting and advising the GPA on its strategic development and growth.
- Building stakeholder relationships by enhancing the profile of the Board.

- Providing continuous guidance and advice to develop the effectiveness of the governance system, NED capabilities and the maturity of the relationship between the GPA's Executive and Non-Executive members.

An Internal Board Effectiveness Review is to be conducted following successful recruitment of additional Board members. In addition to the above, the Chair carries out regular appraisals of board member performance.

Board information provision

In order for the Board to fulfil its role of setting strategic direction and provision of oversight for the GPA, key reporting and information is provided in advance of each meeting. This includes a performance dashboard detailing monthly reporting on Key Performance Indicators and standing Board discussions such as health and safety, risk and financial management. It also reports on client satisfaction, and provides people, programme and commercial information, all of which has been scrutinised by the Executive Committee ahead of Board meetings. This is tangible data that can be used by the Board to support decision making and allow the GPA's Executive to challenge the GPA's performance against targets set.

Alongside the above, a CEO report reviewing the key work of the GPA is provided together with updates on decisions taken by Board committees. Strategic 'deep dive' discussions on critical areas to give the Board an opportunity to discuss and provide risk strategic guidance take place at each meeting.

All Board and committee terms of reference documents undergo regular scrutiny to ensure they remain fit for purpose and contain up to date information. These are in a standardised format to ensure consistency.

Following a request from the Board, the GPA has procured a Digital Platform to enable the secure sharing of documents and information for Board meetings. The platform assists Board members collaborate in real time effectively on Board documents with each other and the Executive.

Compliance with Corporate Governance guidance

The GPA follows best practice for corporate governance, in line with the 'Cabinet Office Code of Conduct for Board Members of Public Bodies and Cabinet Office and Treasury Corporate Governance in Central Government Departments: Code of Good Practice' guidance. The GPA's Board composition was designed in line with this code. This has allowed for the appointment of a mixture of Non-Executives with substantial experience in the public sector as well as independent members with strong private sector real estate, technology, client focus and commercial expertise. These areas of expertise are used collaboratively to set the GPA's strategic direction, drawing on experience from both sectors to capitalise on opportunities whilst managing risks and holding the GPA to account for delivery against set targets.

The Board also has a clear Committee structure, including an Investment Committee, Audit and Risk Committee and Remunerations Committee. Mechanisms for reporting decision making upwards and escalating where appropriate into the Board, Sponsor team, and Cabinet Office through the Shareholder Representative are in place and detailed in a Framework Document. Additionally, all members follow the 'Seven Principles of Public Life' which are included in the terms of reference for the Board and all Committees. Finally, the Board conducts an annual effectiveness review to ensure that it remains fit for purpose and continues to develop.

Risk management framework

GPA risk management is part of everything the GPA does, from how it manages its programmes, how it develops its policies, to how it works with its customers and clients. Risk management is used to inform business decisions, enable more effective use of resources, enhance strategic and business planning and strengthen contingency arrangements.

The GPA's Risk Management Policy and Strategy sets out the approach to risk and the expectations and standards the organisation aims to attain. To drive a consistent approach to the management of risk the policy follows the principles of identifying, recording, managing and monitoring risks to the business as set out in the HM Treasury Orange Book. The GPA Risk Management Policy and Strategy is updated and reviewed (alongside the risk appetite statement), on an annual basis.

This year, the GPA has worked to introduce greater sophistication and maturity into its processes and systems, to ensure it is able to manage the risks it faces even more effectively, whilst taking full advantage of the opportunities available.

The main threats to achieving the GPA's strategic objectives are set out in the strategic risk register. Each risk has a designated owner who is a Director and is accountable for implementing appropriate and proportionate mitigations. As part of the GPA's risk management process, the strategic risks are identified and evaluated against a set of criteria to consider the likelihood of occurrence and potential impact on the business. The strategic risks are reviewed on a monthly basis at the ExCo meetings with all of the risks having been subjected to a Deep Dive review during the course of the year.

The GPA has continued to benefit from the input and insight of both the Government Internal Audit Agency and the oversight of its sponsors, as a key component to developing the GPA's risk process. The GPA's focus continues to be on strengthening and developing the risk management culture across the organisation using risk-based decision making to drive priorities.

Key GPA Strategic risks are summarised below:

Risks	Expected risk management outcome
Top Team	Ensure the GPA continues to attract and retain a strong top team maintaining stability, good leadership and preventing loss of staff and client confidence
People, Capability & Capacity	By recruiting, training and retaining high calibre staff, the GPA build capability and capacity fast enough to deliver on expectations and therefore retain client confidence and support from senior leaders
Talent	The GPA nurtures and retains talent to build for the future, maintaining role models who encourage strong performance
Corporate Real Estate Function	The GPA continues to meet expectations whilst acting as the government's corporate real estate function
Portfolio Controlling Mind	Ensure the GPA creates a controlling mind for the government's property, leading to clarity and realised opportunity
Property Risk	The GPA creates lease flexibility and required financial reserves to manage vacant space while preventing financial failure
Local Authorities	The GPA continues to work effectively with local authorities resulting in increased opportunities and lower costs
Financial Model	The GPA ensures its Financial model generates sufficient income to cover costs, meet financial targets, and has adequate tools in place to prevent a loss and require reliance on unplanned HMT funding
Forecast and Billing	The GPA delivers timely and accurate financial forecast and billing via processes for tracking occupancy and/or costs

Political Demands	The GPA satisfies political demands and maintains support
Client Information	Ensure client confidence by providing them with adequate information and keeping them up to date
Client perception/the GPA's reputation	Maintain the GPA's reputation for providing high quality advice to clients effectively and efficiently and ensure services match evolving client needs
Health and Safety	Fully meet duty of care requirements in respect of people, the GPA buildings and/or assets
Transfer of Assets	Ensure the process and mechanism of asset transfer leads to growth and ability to generate adequate income.
External Influences	Ensure sufficient understanding and resilience around external / environmental / political factors that can influence clients needs to ensure the GPA continues to deliver
Business Systems, technology and Processes	Develop and maintain sufficient systems and processes to enable the GPA to deliver efficiently and effectively
Information Management	Through education and guidance, handle all information in line with ICO guidance
Inflation Risk and Impacts	Ensuring an understanding of costs and monitoring inflation so the GPA services remain affordable
Security	Develop and sustain a strong culture of security; be it staff-awareness, security behaviours, or technical and physical defences – either at work or in the cyber domain.
Industrial relations	The GPA will mitigate against disruption to supply chain on the ability to manage its

	business caused by a climate of poor industrial relations

Effectiveness of risk management

The environment the GPA operates in is constantly changing so a robust but flexible approach to risk management is required as it develops innovative solutions.

As part of its plan to continually improve risk management, the GPA has carried out a risk maturity assessment which has provided it with a series of planned actions to develop culture and mature development of risk processes.

The GPA's approach to risk ensures that every Director is responsible for the identification and management of risks in their areas of responsibility accountability, whilst ensuring this is done in a consistent manner across all directorates so there is an effective escalation and de-escalation route and that risk appetite is utilised effectively.

The GPA has introduced Risk Champions across all Directorates and in specialist areas to ensure it has a full understanding of risk exposures and is identifying any cross-cutting risks. The GPA will continue to develop its three lines of defence assurance framework for risk, so it can identify any areas for improvement. The management of risk supports the achievement of the GPA's objectives and is aligned to the business plan.

Risk appetite

Risk appetite at the GPA is measured in accordance with the standards, requirements and criteria outlined within HM Treasury Orange Book and associated publications, using a tiered five-bar scale to measure actual levels of risk against what is deemed acceptable by the Board.

Risk appetite levels are Averse, Minimal, Cautious, Open and Eager. The categories assessed are; Governance; Operations; Legal; Property; Financial; Commercial; People; Health and Safety; Technology; Data and Information Management; Security; Project and Programme and Reputation.

Statement of internal control

The GPA follows HM Treasury guidance on internal control, intended to provide reasonable assurance and maintain propriety and regularity of expenditure. This is a proportionate approach and not intended to eliminate all risk of failure, so the Accounting Officer can only provide reasonable, not absolute, assurance. The GPA's internal control processes are designed to:

- Identify and prioritise the risks affecting its business aims and objectives
- Evaluate the likelihood of those risks happening and their potential impact
- Manage those risks efficiently and effectively

Updated reporting has been provided to the Cabinet Office Audit and Risk Committee. In the majority of these the work is now complete or on track to be completed as planned. Key improvements have been:

- A system of regular audit of underlying property data that informs expenditure and income recognition.
- Quarterly property reconciliations to provide data for audit and inform updates to client forecasts.
- Automation of quarterly billing; ensuring billing is accurate, timely and aligned with forecasts.

New financial and commercial controls introduced include the new Proactis finance system in April 2023. These new processes and controls will apply to all expenditure and contract variations over £10,000 and allow for early Finance and Commercial involvement (with legal support where necessary) to ensure compliance with policy and legal requirements.

In particular, further improvements have been made to the monitoring of spend by contract. The risk of contract overspend against permitted thresholds will be mitigated and managed via three lines of defence. Contract managers will track and manage expenditure in the first instance supported by management information reports. Finance and Commercial teams will be the second line of defence (with legal support), with contract managers being supported by commercial leads and finance business partners. There will also be an annual review of all silver and gold classified contracts. The third line of defence will be audit and assurance undertaken by third parties external to the GPA such as the Government Internal Audit Agency.

For 2022/23, the GPA introduced a revised finance delegations framework. Budget holders are required to complete training covering themes such as financial forecasting and risk management, investment appraisal and public spending standards. Once the training has been completed, the budget holder must sign a budget holder declaration of accountability before being issued with a ‘licence to operate’. A delegation letter will then be issued setting out the financial, contractual and workforce delegations. This is an area kept under regular review to ensure that these controls remain effective and operationally effective as the GPA grows.

Following each year-end, the budget holders are required to submit an attestation to confirm that they have complied in full with the requirements of the declaration of accountability. Positive confirmations have been received from all budget holders, providing assurance over compliance with internal controls.

Cabinet Office controls

The GPA is in scope of the Cabinet Office spend controls. These are designed to help organisations to reduce unnecessary spend and encourage cross-government collaboration. Central government organisations, including departments and the bodies they sponsor, must obtain Cabinet Office approval when they want to spend money on specified activities. Cabinet Office Spend Controls are part of the wider government financial delegations and approvals process set out in Managing Public Money and an important part of the mandate of the government functions. The Cabinet Office operates the Spend Controls on behalf of HM Treasury.

The principal controls affecting the GPA are:

National Property Control (NPC) – For expenditure over £100,000, control approval is required for property acquisitions (freehold, leasehold or licences) and to continue tenancy (non-exercise of breaks, extension or renewal of leases).

Facilities management control (FM) – For expenditure over £500,000, control approval is required for all new, extended or variations to FM contracts.

Commercial control – For expenditure over £20 million, control approval is required for all future commercial spend activity, framework agreements or material changes to services.

The GPA's Workplace Services Transformation Programme is replacing inherited, expiring service contracts. New contracts go live in October 2023, including four regional operational security contracts. Following tender evaluation for these security contracts during 2022/23, the GPA engaged with the highest scoring bidders to agree the final allocation of contracts. The engagement followed legal advice to ensure adherence with the tender documentation. It produced a proposed set of four contracts that secure the improved service sought at the best value to the taxpayer.

While HMT and FM Control approval was achieved prior to contract award, Cabinet Office Commercial Control was not given. This was on the basis that engagement with the highest scoring bidders effectively notified them of the outcome of the evaluation and therefore rendered the approval request retrospective. Commercial Control did not, however, identify any other inappropriateness in the approach taken or the outcome of the procurement.

The GPA consulted with the Cabinet Office and an Accounting Officer Assessment was undertaken which concluded that meeting the value for money test (including achieving additional savings of £9m over the contract period) outweighed the regularity test (following the procedural error described). The GPA therefore awarded the contracts in January 2023 despite this likely resulting in the GPA incurring irregular expenditure on the contracts from October 2023 onwards.

The GPA works closely with the central controls team providing a pipeline of future projects in scope. This expedites the approval process and, in some cases, based on an assessment of risk and complexity assurance, is delegated to the GPA.

External assurers

The National Audit Office (NAO) provides an audit opinion on the financial statements through annual financial audit. The GPA works closely with NAO representatives throughout the year and representatives attend all of the GPA Audit and Risk Committee meetings. Each year NAO produces a Management Letter listing key areas of improvement and associated actions to be completed that are tracked by ExCo members and the Audit and Risk Committee.

Audit assurance

Every year the Government Internal Audit Agency (GIAA) develops a risk-based audit plan for the GPA. The Accounting Officer approves the audit plan after review and discussion at the Audit and Risk Committee. As part of the audit reports, management actions are agreed to strengthen controls. The audit reports form the basis for the annual assurance opinion, the draft opinion for this year is ‘Limited’. The Government Internal Audit Agency attends the meetings and updates the Audit and Risk Committee Committee about audits delivery and completion of management actions.

GIAA Audits

Moderate assurance

- Property Reconciliations
- Client Service Culture
- Key Financial Controls
- Asset Management

Limited assurance

- Finance Solution Programme
- Data Quality

- Contracts
- Business Continuity

Whistleblowing

The GPA adheres to the whistleblowing policy that is applicable to all Civil Servants, including adherence to the Civil Service Code. Information regarding this policy is available for all staff on the GPA's intranet site. The Audit and Risk Committee is informed at the start of every meeting if any whistleblowing cases have been raised. In 2022/23 there were no such cases.

Counter fraud

The GPA adheres to Cabinet Office policy regarding fraud, which requires staff at all times to act honestly, with integrity, and to safeguard the public resources for which they are responsible at all times. All staff must complete mandatory Civil Service e-learning on this topic each year. There was one reported case of fraud in 2022/23 (2021/22: nil). No losses were incurred as a result of the fraud.

Remuneration and Staff Report

Overview

This report sets out the GPA's policy and provides details on remuneration for staff that Parliament considers key to accountability.

The following sections are subject to audit:
- Remuneration (salary, benefits in kind and pensions) of officials who are Board members.
- Fair pay disclosure.
- Fees paid to Non-Executive Board members.
- Pension benefits of official Board members.
- Staff costs.
- Average number of persons employed.
- Reporting of compensation schemes and exit packages.

Remuneration report

Remuneration policy

The pay of senior civil servants is set by the Prime Minister following independent advice from the Review Body on Senior Salaries (SSRB).

The SSRB takes a variety of factors into consideration when formulating its recommendations. These include:

- The need to recruit, retain and motivate suitably able and qualified people.
- Regional and local variations in labour markets and their effects on the recruitment and retention of staff.
- Government policies for improving the public services, including the requirement on departments to meet the output targets for the delivery of departmental services.
- The funds available to departments as set out in the government's departmental expenditure limits.
- The government's inflation target.
- The evidence it receives about wider economic considerations and the affordability of its recommendations.

The SSRB website contains further information about its work.

The performance management system for senior civil servants is common across all government departments. Pay awards are made in two parts:

- Non-consolidated variable payments, which are used to reward members of staff who demonstrate exceptional performance.
- Base pay progression, to reward growth in competence.

Non-consolidated payments are paid one year in arrears, so those paid to the GPA's staff in 2022/23 relate to their performance during 2021/22 year.

The Cabinet Office end of year bonus scheme for senior civil servants is applicable to those within the GPA Awards of up to £10,000 can be made for exceptional contributions. An additional cross-government in-year bonus scheme for senior civil servants is also available to recognise corporate values and behaviours, with rewards of up to £5,000 available for senior civil servants under this scheme.

Service contracts

The Constitutional Reform and Governance Act 2010 requires Civil Service appointments to be made on merit on the basis of fair and open competition.

The Recruitment Principles published by the Civil Service Commission specify the circumstances when appointments may be made otherwise. Unless otherwise stated below, the officials covered in this report hold appointments which are open-ended. Early termination, other than for misconduct, would result in the individual receiving compensation as set out in the Civil Service Compensation Scheme.

GPA Non-Executive Directors (NED) 2022/23

Non-executive directors who served during 2022/23 are as follows:

Name	Type	NED Contract End Date
Pat Ritchie (Chair)	Non-government	31 December 2023
Mark Collins	Non-government	30 September 2022
Jane Hamilton	Non-government	30 April 2024
Robert Razzell	Government	30 April 2024
Jonathan Thompson	Non-government	31 May 2025
Carol Bernard	Government	30 June 2024

Further information about the work of the Civil Service Commission can be found at www.civil servicecommission.independent.gov.uk.

Remuneration (including salary) and pension entitlements

The following sections provide details of the remuneration and pension interests of the most senior officials (i.e. Board members) of the GPA for their services during 2022/23. In accordance with HM Treasury guidance all entities are required to prepare a remuneration report containing certain information about the Directors' remuneration. Directors, in this context, mean persons in senior positions having authority or responsibility for directing or controlling the major activities of the entity. This means those who influence the decisions of the entity as a whole rather than the decisions of individual Directorates or sections within the entity. The Accounting Officer and the Audit and Risk Committee have decided that this requirement encompasses the two posts shown below (CEO and CFO), whose emoluments and pension details are disclosed. The GPA considers that no other key management staff details need to be disclosed under this guidance for 2022/23.

Remuneration of officials who were Board members during 2022/23

Board member officials	Single total figure of remuneration									
	Salary (£'000)		Non-consolidated payments (£'000)		Benefits in kind (to nearest £100)		Pensions benefits* (to nearest £1,000)		Total (£'000)	
	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	Restated 2021/22	2022/23	Restated 2021/22
Steven Boyd	145-150	145-150	-	-	-	-	21,000*	21,000*	165-170	165-170
Nigel Beckett **	50-55 (120-125 FYE)	60-65 (120-125 FYE)	-	-	-	-	20,000	50,000	70-75	110-115
Paul Hemsley***	120-125 (240-245 FYE)	-	-	-	-	-	-	-	125-125	-

The value of pension benefits accrued during the year is calculated as the real increase in pension multiplied by 20, plus the real increase in any lump sum, less the contributions made by the individual. The real increase excludes increases due to inflation or any increase or decrease due to a transfer of pension rights.

*Ceased to be a member of the Civil Service Pension Scheme on 31 March 2021 but joined a private pension scheme from 1 April 2021. 2021/22 pension benefits and total remuneration have been restated to reflect employer contributions.
** Interim CFO between 01 April 2022 and 31 August 2022.
***Acting CFO between 1 September 2022 and 28 February 2023. Paid as a contingent worker so was not eligible for non-consolidated payments, benefits or pension.

Salary

Salary includes:

- Gross salary.
- Overtime.
- Reserved rights to London weighting or London allowances.
- Recruitment and retention allowances.
- Private office allowances.
- Any other allowance to the extent that it is subject to UK taxation.

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the GPA and treated by HMRC as a taxable emolument. The disclosed benefits in kind include income tax and national insurance liabilities that are met by the GPA.

Non-consolidated payments

Non-consolidated payments are based on performance levels attained and are made as part of the appraisal process. They are not accrued or provided for at 31 March 2023, because the appraisal process is not complete until the summer and entitlement is not agreed until after the appraisal process is complete. As a result, the payments reported in 2022/23 relate to performance in 2021/22 and may include where entitlement arose for performance in transferring departments.

Fair pay disclosure

This section contributes to the GPA’s accountability to Parliament and is subject to audit.

Remuneration*

	2022/23	2021/22	Change
Band of highest paid director’s total remuneration (£’000)	145-150	145-150	0
25th percentile remuneration of the workforce (£)	40,186	37,300	2,886
Ratio of highest paid director’s total remuneration to 25th percentile of workforce	3.67	3.95	-0.28
Median remuneration of the workforce (£)	56,348	54,700	1,648
Ratio of highest paid director’s total remuneration to median of workforce	2.62	2.70	-0.08
75th percentile remuneration of the workforce (£)	71,799	66,435	5,364
Ratio of highest paid director’s total remuneration to 75th percentile of workforce	2.05	2.22	-0.17

Salary*

	2022/23	2021/22	Change
Band of highest paid director’s salary (£’000)	145-150	145-150	0
25th percentile salary of the workforce (£)	38,419	37,300	1,119
Ratio of highest paid director’s salary to 25th percentile of workforce	3.84	3.90	-0.06
Median salary of the workforce (£)	51,260	49,700	1,560
Ratio of highest paid director’s salary to median of workforce	2.88	2.92	-0.04
75th percentile remuneration of the workforce (£)	65,810	64,500	1,310

Ratio of highest paid director's salary to 75th percentile of workforce	2.24	2.25	0.01

* For the fair pay disclosures 'total remuneration' includes salary, non-consolidated performance-related pay and benefits-in-kind allowances but excludes pension figures. 'Salary' refers to salary alone. This is subject to audit.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid Director in their organisation and the median remuneration of the organisation's workforce. From 2021/22 both the ratio between the remuneration of the highest paid Director and the 25th percentile remuneration of the workforce as well as the ratio between the remuneration of the highest paid Director and the 75th percentile remuneration of the workforce are also required. The same median, percentiles and ratios are also required for basic salary only. At the GPA as at 31 March 2023 the highest paid Director is the CEO whose pay is in accordance with SCS pay policy set externally. Pay for employees on delegated grades (GPA AO – GPA Grade 6) is revised each year in accordance with the national Civil Service Pay Remit Guidance. The median salary of the workforce is within the GPA Grade 7 National range which is representative of the grade with the majority of the GPA's employees on the capture date.

Total remuneration includes salary, allowances, non-consolidated performance-related pay (PRP) and benefits in kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

The banded remuneration of the highest paid Director in the GPA in the financial year 2022/23 was £145,000-£150,000 (2021/22 £145,000- £150,000). This was 2.63 (2021/22 2.70) times the median remuneration of the workforce, which was £56,348 (2021/22 £54,700).

The annualised remuneration of the GPA's employees, including agency vacancy cover, ranged from £20,000-£25,000 to £315,000-£320,000 (2021/22: £20,000-£25,000 to £185,000-£190,000). The significant increase to the highest figure in the annualised remuneration from last year has been caused by an agency worker being engaged as Acting CFO. In 2022/23, there were 37 agency workers covering vacancies whose annualised remuneration would have been in excess of the highest paid Director (2021/22: 14). These were agency staff who worked for a part of the reporting year. In line with fair pay disclosure guidance, remuneration for agency workers has been annualised to arrive at the figures disclosed and does not reflect actual remuneration payments made to agency staff in 2022-23. There were no directly employed

GPA staff members in 2022/23 who received remuneration in excess of the highest-paid Director (2021/22, nil).

Fair pay disclosure

Highest paid director and all staff average	% change from previous year
Highest paid director's salary and allowances	2.00
All staff average salary and allowances	9.53
Highest paid director's Performance Related Pay (PRP) and bonuses	0.00
All staff average PRP and bonuses	-48.95

*Subject to audit.

The highest paid director received the SCS 2022 pay award of 2% which accounts for the increase from the previous year. However, the delegated grades GPA AO-G6 were in receipt of an average pay award of 3% in 2022. This, coupled with the extended use of allowances, particularly recruitment and retention allowances, has contributed to the average salary and allowances percentage change from last year. Another factor was the increased use of agency workers covering vacancies in 2022/23. This is also part of the reason that there was such a high percentage change in the all staff average PRP and bonuses as agency workers are not eligible to receive PRP or bonuses.

Fees paid to non-executive board members

Non-executive board members	Annual fee entitlement (£)*	Fees paid 2022/23 (£)	Fees paid 2021/22 (£)
Pat Ritchie	37,500	37,500	27,950
Jane Hamilton	25,000	23,333	15,000
Mark Collins	25,000	10,000**	15,000
Mickola Wilson	15,000	-	5,000***
Jonathan Thompson	25,000	22,500	10,000****
Rupert McNeil	-	-	-
Robert Razzell	-	-	-
Mike Green	-	-	-

Carol Bernard	-	-	-

*The annual fee for NEDs, with the exception of Pat Ritchie, changed from £15,000 per annum to £25,000 from 1 July 2022.
**Mark Collins left the GPA on 30 September 2022: these fees were for April 2022 to September 2022.
***Mickola Wilson left the GPA on 31 July 2021: these fees were for April 2021 to July 2021.
****Jonathan Thompson joined the GPA on 1 June 2021: these fees were for June 2021 to March 2022.

Non-executive board members (with the exception of the chair) are offered a fee of £25,000 per annum (£15,000 before 1 July 2022). Individual board members may waive all or part of their fee entitlement. Fees paid or accrued are included within professional services.

Rupert McNeil, Robert Razzell, Mike Green and Carol Bernard were not entitled to an annual fee as they are already members of the Civil Service and paid by their current department. Rupert McNeil resigned from the board on 17 March 2022. Mike Green's tenure ended on 31 March 2022. Carol Bernard joined on 1 July 2022.

Jonathan Thompson joined the GPA on 1 June 2021. Mickola Wilson stepped down from the Board on 31 July 2021. Mark Collins left on 30 September 2022. All other Board members were engaged for the full financial year.

Pension benefits of official board members

Board member official	**Accrued pension at pension age as at 31 March 2023 and related lump sum £'000s**	**Real increase in pension and related lump sum at pension age £'000s**	**CETV at 31 March 2023 (£'000)**	**CETV at 31 March 2022 (£'000)**	**Real increase in CETV (£'000)**
Steven Boyd	-	-	-	239	-
Nigel Beckett	20-25	0-2.5	308	278	13
Paul Hemsley	-	-	-	-	-

Cash equivalent transfer value (CETV) figures are calculated using the guidance on discount rates for calculating unfunded public service pension contribution rates that was extant at 31 March 2023. HM Treasury published updated guidance on 27 April 2023; this guidance will be used in the calculation of 2023-24 CETV figures.

Steven Boyd withdrew from the Civil Service pension scheme in April 2021 and joined a private pension scheme. Information on the CETV was therefore not available from Civil Service pensions.

Civil Service pensions

Pension benefits are provided through the Civil Service pension arrangements. From 1 April 2015 a new pension scheme for Civil Servants was introduced – the Civil Servants and Others Pension Scheme or alpha, which provides benefits on a career average basis with a normal pension age equal to the member's State Pension Age. From that date all newly appointed Civil Servants and the majority of those already in service joined alpha. Prior to that date, civil servants participated in the Principal Civil Service Pension Scheme (PCSPS). The PCSPS has four sections: three providing benefits on a final salary basis (classic, premium or classic plus) with a normal pension age of 60; and one providing benefits on career average earnings (nuvos) with a normal pension age of 65.

These statutory arrangements are unfunded with the cost of benefits met by monies voted by Parliament each year. Pensions payable under classic, premium, classic plus, nuvos and alpha are increased annually in line with Pensions Increase legislation. Existing members of the PCSPS who were within 10 years of their normal pension age on 1 April 2012 remained in the PCSPS after 1 April 2015. Those who were between ten years and 13 years and five months from their normal pension age on 1 April 2012 switched into alpha between 1 June 2015 and 1 February 2022. All members who switched to alpha have their PCSPS benefits 'banked', with those with earlier benefits in one of the final salary sections of the PCSPS having those benefits based on their final salary when they leave alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes). Members joining since October 2002 may opt for either the appropriate defined benefit arrangement or a defined contribution scheme with an employer contribution (partnership pension account).

Employee contributions are salary-related and range between 4.6 per cent and 8.05 per cent for members of classic, premium, classic plus, nuvos and alpha. Benefits in classic accrue at the rate of 1/80th of final pensionable earnings for each year of service. In addition, a lump sum equivalent to three years' initial pension is payable on retirement. For premium, benefits accrue at the rate of

1/60th of final pensionable earnings for each year of service. Unlike classic, there is no automatic lump sum. Classic plus is essentially a hybrid scheme with benefits for service before 1 October 2002 calculated broadly as per classic and benefits for service from October 2002 worked out as in premium. In nuvos, a member builds up a pension based on their pensionable earnings during their period of scheme membership. At the end of the scheme year (31 March), the member's earned pension account is credited with 2.3 per cent of their pensionable earnings in that scheme year and the accrued pension is uprated in line with Pensions Increase legislation. Benefits in alpha build up in a similar way to nuvos, except that the accrual rate is 2.32 per cent. In all cases, members may opt to give up (commute) pension for a lump sum up to the limits set by the Finance Act 2004.

The partnership pension account is a stakeholder pension arrangement. The employer makes a basic contribution of between 8 per cent and 14.75 per cent (depending on the age of the member) into a stakeholder pension product chosen by the employee from a panel of providers. The employee does not have to contribute, but where they do make contributions, the employer will match these up to a limit of 3 percent of pensionable salary (in addition to the employer's basic contribution). Employers also contribute a further 0.5 per cent of pensionable salary to cover the cost of centrally-provided risk benefit cover (death in service and ill health retirement).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age, or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is 60 for members of classic, premium and classic plus, 65 for members of nuvos, and the higher of 65 or State Pension Age for members of alpha. (The pension figures quoted for officials show pension earned in PCSPS or alpha – as appropriate. Where the official has benefits in both the PCSPS and alpha the figure quoted is the combined value of their benefits in the two schemes, but note that part of that pension may be payable from different ages).

The Scheme Actuary reviews employer contributions usually every four years following a full scheme valuation. The contribution rates are set to meet the cost of the benefits accruing during 2022/23 to be paid when the member retires and not the benefits paid during this period to existing pensioners.

PCSPS and alpha are unfunded multi-employer defined benefit schemes but the GPA is unable to identify its share of the underlying assets and liabilities. Further details about the Civil Service pension arrangements can be found at the website www.civilservicepensionscheme.org.uk

Cash equivalent transfer value (CETV)

A Cash Equivalent Transfer Value (CETV) is the actuarially-assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The figures include the value of any pension benefit in another scheme or arrangement which the member has transferred to the Civil Service pension arrangements. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost. CETVs are worked out in accordance with the Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

Real increase in CETV

This reflects the increase in CETV that is funded by the employer. It excludes increases due to inflation and contributions paid by the employee. It is worked out using common market valuation factors for the start and end of the period.

Staff report

Staff costs

	2022/23	2021/22
	£'000	**£'000**
Wages, salaries and fees*	18,312	12,973
Social security costs	2,156	1,490
Apprenticeship levy	86	57
Other pension costs	4,674	3,411
Untaken annual leave	222	229
Agency staff	9,820	5,559
Sub total	**35,270**	**23,719**
Inward secondments**	2,135	2,316
Total	**37,405**	**26,035**
Less:		
Recoveries in respect of outward secondments	-	87
Total staff costs	**37,405**	**26,122**
Less:		
Staff engaged on capitalised projects	(7,655)	(2,771)
Total net staff costs	**29,750**	**23,351**

*This includes the following: salaries, allowances, bonuses, overtime, Statutory Sick Pay, Statutory Maternity Pay and Childcare Vouchers.
**This includes GCO staff.

Staff pensions

For 2022/23, employers’ contributions of £4.7m were payable to the PCSPS and alpha (2021/22: £3.4m) at one of four rates in the range of 26.6 percent to 30.3 percent of pensionable earnings, based on salary bands. Contributions paid to the partnership pension providers between 1 April 2022 and 31 March 2023 were £103,588 (2021/22: £61,340). Contributions prepaid at that date were zero (2021/22: zero). Contributions due to the partnership pension providers that were paid on 31 March 2023 were £7,879 (31 March 2022: £4.498). There were no early retirements on ill-health grounds in 2022/23 (2021/22: nil).

Average number of persons employed

	2022/23			2021/22		
	Permanent	**Temporary**	**Total**	**Permanent**	**Temporary**	**Total**
Directly employed	269.50*	13.00**	282.50	228.00*	11.50**	239.50
Others	16.50***	69.00****	85.50	12.50***	36.00****	48.50
Staff engaged on capitalised projects	71.00	12.50	83.50	26.00	5.50	31.50
Total	357.00	94.50	451.50	266.50	53.00	319.50

*Those employed on the Government Property Agency payroll.
**Those on loan or fixed term appointments with the Government Property Agency.
***Those employed permanently through the Government Commercial Organisation.
****Contingent labour.

Senior civil servants

The table below shows the number of senior civil servants (SCS) employed by the GPA as of 31 March 2023. There has been an overall increase in the number of staff at SCS1 which reflects the growth of the organisation.

	Headcount	
	2022/23	**2021/22**
Chief Executive, Director General (SCS3)	1	1
Director (SCS2)	4	5
Senior Commercial Specialist (SCS2)	1	1
Deputy Director (SCS1)	21	17

Commercial Specialist (SCS1)	3	2
Total Senior Civil Servants working in GPA	30	26

Staff composition - Gender diversity

The below tables provide a breakdown, by gender, of all the staff employed by the GPA as of 31 March 2023.

	2022/23			**2021/22**		
	Male headcount	**Female headcount**	**Total**	**Male headcount**	**Female headcount**	**Total**
Board members*	1	0	1	2	0	2
Senior civil servants	21	8	29	17	9	26
All other staff	205	174	379	170	133	303
Total	227	182	409	189	142	331

*Refers to the Executive Directors only (excludes NEDs).

	2022/23		**2021/22**	
	Male (%)	**Female (%)**	**Male (%)**	**Female (%)**
Board members	100	-	100	-
Senior civil servants	72	28	65	35
All other staff	54	46	56	44

Staff numbers increased during the year as the GPA continued to grow the business and on-board more clients.

Sickness absence

The sickness absence figure for the rolling 12 months to 31 March 2023 was 3.43 (2021/22: 3.12) average working days lost per member of staff.

Staff turnover

The staff turnover figure for the rolling 12 months to 31 March 2023 was 14 per cent (2021/22: 11 per cent). The number of employees who have left the GPA and the Civil Service is too low to report on their reasons individually, but those reasons include resignation, retirement and end of temporary appointments.

People Survey engagement score

In 2022, the GPA achieved a People Survey response rate of 100% for the third year in a row. The organisation’s Employee Engagement Index score increased from 60% in 2021 to 66% in 2022. The GPA’s Proxy Stress Index (which measures capacity to prevent and manage stress) and PERMA Wellbeing Index (which measures the extent to which employees are flourishing at work) both also improved in 2022. This feedback presents a resounding success story for the organisation.

Employment, training and advancement of disabled persons

The GPA applies the Recruitment Principles of the Civil Service Commission, appointing candidates based on merit through fair and open competition. Recruitment and selection training, which has a core focus of raising awareness of unconscious bias, is offered to all chairs of GPA recruitment panels.

The GPA mandates training for all staff on inclusion in the workplace, which includes avoiding unconscious bias. The Becoming Disability Confident training is also recommended for all staff.

The GPA participates in a number of cross-government talent programmes including apprenticeships (open to staff at all grades), Beyond Boundaries (open to HEOs and SEOs), the Future Leaders Scheme (for Grades 7s and 6s) and the Senior Leaders Scheme (open to Deputy Directors). There are further support programmes within the Future Leaders Scheme for participants with disabilities or long-term health conditions and from ethnically diverse backgrounds.

Monitoring spending on consultancy and temporary staff

Expenditure on consultancy and temporary staff not included within staff costs was £1,321k in 2022/23 (2021/22: £797k).

Expenditure on consultancy and the need for temporary staff within the GPA is largely dependent on the nature of the projects being undertaken and the expertise required.

Reporting of off-payroll appointments

The GPA provides information about appointments of consultants or staff that last longer than six months and where the individuals earn more than £245 per day, where the GPA pays by invoice rather than through the payroll. The GPA only utilises these arrangements where it cannot avoid them and minimises their use.

All highly paid off-payroll worker engagements as at 31 March 2023, earning £245 per day or greater	
Number of existing engagements as of 31 March 2023	30
Of which…	
Number existing for less than one year as of 31 March 2023	15
Number existing for between one and two years as of 31 March 2023	15
Number existing for between two and three years as of 31 March 2023	0
Number existing for between three and four years as of 31 March 2023	0
Number existing for four or more years as of 31 March 2023	0

New off-payroll working rules for public sector organisations called 'IR35' were put in place from April 2017 to make sure that where an individual would have been an employee if they were providing their services directly, they pay broadly the same tax as an employee, with the requirement for the employer to deduct tax at source.

All highly paid off-payroll workers engaged at any point during the year ended 31 March 2023, earning £245 per day or greater	
Number of new engagements, or those that reached six months in duration, between 1 April 2022 and 31 March 2023	91
Of which…	
Number where off payroll legislation does not apply	0
Number assessed as within the scope of IR35	91
Number assessed as outside of the scope of IR35	0
Number engaged directly (via PSC contracted to department) and are on the departmental payroll	0
Number of engagements reassessed for consistency/assurance purposes during the year.	0
Number of engagements that saw a change to IR35 status following the consistency review.	0

Any off-payroll engagements of Board members, and/or, senior officials with significant financial responsibility, between 1 April 2022 and 31 March 2023	
Number of off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, during the financial year.	1
Total number of individuals on payroll and off-payroll that have been deemed “board members, and/ or, senior officials with significant financial responsibility”, during the financial year.	9

An agency worker was appointed as Acting CFO whilst permanent recruitment to the position took place.

Reporting of compensation schemes and exit packages

Redundancy and other departure costs are paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year of departure. Where the department has agreed early retirements, the additional costs are met by the GPA and not by the Civil Service pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in this section. In cases where the employee has accepted the offer made by the department, the cost of termination benefit is accrued within wages, salaries and fees.

There were no costs incurred relating to compensation schemes or exit packages in 2022/23 as the GPA had no exits of this nature (2021/22: nil).

Trade union facility time

The Trade Union (Facility Time Publication Requirements) Regulations 2017 came into force on 1 April 2017. These regulations place a legislative requirement on relevant public sector employers to collate and publish, on an annual basis, a range of data on the amount and cost of facility time within their organisation.

The GPA has a Recognition Agreement with PCS, Prospect and the FDA for the purpose of negotiation and consultation. No facilitation time was required for the period between 1 April 2022 and 31 March 2023 as the representatives are currently full time Trade Union officials rather than employees of the GPA.

Parliamentary Accountability and Audit Report

Overview

This section contributes to the GPA's accountability to Parliament and is subject to audit. Regularity of expenditure reports losses and special payments - regularity refers to the principle that all consumption of resources should be made in accordance with the legislation authorising them, any applicable delegated authority and the principles set out in Managing Public Money. Disclosures on fees and charges and remote contingent liabilities are required by Managing Public Money.

In his certificate and report to the House of Commons, the Comptroller and Auditor General provides his opinion on regularity and whether the Remuneration and Staff Report and Parliamentary Accountability Disclosures have been properly prepared and are consistent with the financial statements, and whether the information given in the Performance Report and Accountability Report is consistent with the financial statements. The following sections are subject to audit:

- Regularity of expenditure.
- Fees and Charges.
- Remote Contingent Liabilities.

Regularity of expenditure

Where they occur, the Statement of Comprehensive Net Income includes losses, such as write-offs of irrecoverable debts and fruitless payments. The Statement of Comprehensive Net Income also includes extra contractual special payments where they occur.

The Statement of Comprehensive Net Income includes constructive losses:

	2022/23	**2021/22**
Total number of losses	2	9
Total value of losses (£000)	1,306	1,029

The GPA incurred constructive losses for sunk costs relating to the cessation of two hub projects. The decision was made to terminate the projects after a review identified that they no longer aligned with strategic requirements.

The table above includes the below losses over £300,000:

	2022/23	**2021/22**

Constructive losses incurred on London, 10 South Colonnade onerous lease	-	357
Constructive losses incurred on Birmingham 3	843	-
Constructive losses incurred on Newcastle 2	463	-

Fees and charges

The GPA has been established to support better utilisation of the government estate. As part of its ordinary course of business, the GPA charges fees to other government bodies to recover its costs. Details are included within the operating income analysis in note 2 to the accounts. The charging arrangements for 2022/23 are structured as follows:

- **Landlord Services** – The GPA approach is to let space in accordance with the Rent Setting Policy which is the rate that a client would expect to pay for a property of the same quality for the same term had they sourced that property from the open market. The GPA passes through the costs of Business Rates, head lease service charge, insurance and utility costs for the space occupied and any agreed vacant space, plus a management fee at a set rate per occupation above 200 m2 and for below 200 m2.

- **Workplace Services** – The GPA passes through the costs of facilities management and operational security service contracts. The rate of fees to cover GPA management costs is based on the area of space occupied. For Workplace ICT services on hubs the GPA charges using a fixed rate per square metre which varies by property.

- **Portfolio Services** – The GPA charges a flat rate per occupation for managing GPA onboarded clients' assets as a single portfolio.

- **Additional property and project services** – The GPA passes through contract costs with a percentage fee added to cover putting these contracts in place and managing them. The GPA also charges for the time the GPA team spends on this work. There are discounts for clients who have onboarded to recognise that a closer working relationship allows the GPA to plan ahead and avoid extra costs.

Remote contingent liabilities

There are no remote contingent liabilities that require disclosure and reporting to HM Treasury in the Annual Report and Accounts (2022/23: nil).

Government Functional Standards

The GPA aims to comply with all applicable functional standards while meeting business needs and priorities. There are senior managers aligned to each applicable function who are responsible for monitoring and improving compliance.

Steven Boyd MBE
Chief Executive Officer and Accounting Officer
13 July 2023

THE CERTIFICATE OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

Opinion on financial statements

I certify that I have audited the financial statements of the Government Property Agency for the year ended 31 March 2023 under the Government Resources and Accounts Act 2000.

The financial statements comprise the Government Property Agency's:

- Statement of Financial Position as at 31 March 2023;
- Statement of Comprehensive Net Income, Statement of Cash Flows and Statement of Changes in Taxpayers' Equity for the year then ended; and
- the related notes including the significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and UK adopted international accounting standards.

In my opinion, the financial statements:

- give a true and fair view of the state of the Government Property Agency's affairs as at 31 March 2023 and its net expenditure for the year then ended; and
- have been properly prepared in accordance with the Government Resources and Accounts Act 2000 and HM Treasury directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects, the income and expenditure recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis for opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs UK), applicable law and Practice Note 10 *Audit of Financial Statements and Regularity of Public Sector Bodies in the United Kingdom (2022)*. My responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of my certificate.

Those standards require me and my staff to comply with the Financial Reporting Council's *Revised Ethical Standard 2019*. I am independent of the Government Property Agency in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

In auditing the financial statements, I have concluded that the Government Property Agency's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Government Property Agency's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

My responsibilities and the responsibilities of the Accounting Officer with respect to going concern are described in the relevant sections of this certificate.

The going concern basis of accounting for the Government Property Agency is adopted in consideration of the requirements set out in HM Treasury's Government Financial Reporting Manual, which requires entities to adopt the going concern basis of accounting in the preparation of the financial statements where it is anticipated that the services which they provide will continue into the future.

Other information

The other information comprises information included in the Annual Report, but does not include the financial statements or my auditor's certificate and report. The Accounting Officer is responsible for the other information.

My opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in my certificate, I do not express any form of assurance conclusion thereon.

My responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

I have nothing to report in this regard.

Opinion on other matters

In my opinion the parts of the Remuneration and Staff Report to be audited have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000.

In my opinion, based on the work undertaken in the course of the audit:

- the parts of the Accountability Report subject to audit have been properly prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;
- the information given in the Performance and Accountability Reports for the financial year for which the financial statements are prepared is consistent with the financial statements and is in accordance with the applicable legal requirements.

Matters on which I report by exception

In the light of the knowledge and understanding of the Government Property Agency and its environment obtained in the course of the audit, I have not identified material misstatements in the Performance and Accountability Reports.

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- Adequate accounting records have not been kept by the Government Property Agency or returns adequate for my audit have not been received from branches not visited by my staff; or
- I have not received all of the information and explanations I require for my audit; or
- the financial statements and the parts of the Accountability Report subject to audit are not in agreement with the accounting records and returns; or
- certain disclosures of remuneration specified by HM Treasury's Government Financial Reporting Manual have not been made or the parts of the Remuneration and Staff Report to be audited are not in agreement with the accounting records and returns; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Accounting Officer is responsible for:

- maintaining proper accounting records;
- providing the C&AG with access to all information of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- providing the C&AG with additional information and explanations needed for his audit;
- providing the C&AG with unrestricted access to persons within the Government Property Agency from whom the auditor determines it necessary to obtain audit evidence;
- ensuring such internal controls are in place as deemed necessary to enable the preparation of financial statements to be free from material misstatement, whether due to fraud or error;
- ensuring that the financial statements give a true and fair view and are prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000;

- ensuring that the annual report, which includes the Remuneration and Staff Report, is prepared in accordance with HM Treasury directions made under the Government Resources and Accounts Act 2000; and
- assessing the Government Property Agency's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Accounting Officer anticipates that the services provided by the Government Property Agency will not continue to be provided in the future.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Government Resources and Accounts Act 2000.

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a certificate that includes my opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was considered capable of detecting non-compliance with laws and regulations, including fraud

I design procedures in line with my responsibilities, outlined above, to detect material misstatements in respect of non-compliance with laws and regulations, including fraud. The extent to which my procedures are capable of detecting non-compliance with laws and regulations, including fraud is detailed below.

Identifying and assessing potential risks related to non-compliance with laws and regulations, including fraud

In identifying and assessing risks of material misstatement in respect of non-compliance with laws and regulations, including fraud, I:

- considered the nature of the sector, control environment and operational performance including the design of the Government Property Agency's accounting policies.
- inquired of management, the Government Property Agency's head of internal audit and those charged with governance, including obtaining

and reviewing supporting documentation relating to the Government Property Agency's policies and procedures on:
    - identifying, evaluating and complying with laws and regulations;
    - detecting and responding to the risks of fraud; and
    - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations including the Government Property Agency's controls relating to the Government Property Agency's compliance with the Government Resources and Accounts Act 2000 and Managing Public Money;
- inquired of management, the Government Property Agency's head of internal audit and those charged with governance whether:
    - they were aware of any instances of non-compliance with laws and regulations;
    - they had knowledge of any actual, suspected, or alleged fraud,
    - discussed with the engagement team and the relevant external specialists, including property valuation experts, regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, I considered the opportunities and incentives that may exist within the Government Property Agency for fraud and identified the greatest potential for fraud in the following areas: revenue recognition, posting of unusual journals, complex transactions, and bias in management estimates. In common with all audits under ISAs (UK), I am required to perform specific procedures to respond to the risk of management override.

I obtained an understanding of the Government Property Agency's framework of authority and other legal and regulatory frameworks in which the Government Property Agency operates. I focused on those laws and regulations that had a direct effect on material amounts and disclosures in the financial statements or that had a fundamental effect on the operations of the Government Property Agency. The key laws and regulations I considered in this context included the Government Resources and Accounts Act 2000, Managing Public Money, the Supply and Appropriation (Main Estimates) Act 2022, employment law, pensions legislation and tax legislation.

Audit response to identified risk

To respond to the identified risks resulting from the above procedures:

- I reviewed the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described above as having direct effect on the financial statements;
- I enquired of management, the Audit and Risk Committee concerning actual and potential litigation and claims;

- I reviewed minutes of meetings of those charged with governance and the Board; and internal audit reports;
- in addressing the risk of fraud through management override of controls, I tested the appropriateness of journal entries and other adjustments; assessed whether the judgements on estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business; and
- in addressing the risk of fraud in revenue recognition, I reperformed a sample of property reconciliations by agreeing them to the underlying system reports; reviewed income streams not covered by the property reconciliations and considered whether management's estimates in respect of the year-end balances were reasonable; performed a retrospective review of 2021/22 balancing changes based on the year-end reconciliations against the amounts invoiced to tenants to identify whether there were any indications of management bias; and considered disputes with tenants and analysed credit notes raised after year-end and debts written-off to consider whether there were any indications of improper revenue recognition.

I also communicated relevant identified laws and regulations and potential risks of fraud to all engagement team members including specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of my responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of my certificate.

Other auditor's responsibilities

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control I identify during my audit.

Gareth Davies

Comptroller and Auditor General

Date 14 July 2023

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

THE REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

1. As a central government body, the Government Property Agency is required to comply with the Cabinet Office Spending Controls. These state that, ‘all central government organisations, including departments and the bodies they sponsor, must obtain approval from the Cabinet Office when they want to spend money on specified activities. The specified activities include commercial spend on all contracts with a value greater than £20 million.
2. I draw attention to the disclosures that the Government Property Agency has made on page 63 of the Annual Report. This explains the circumstances which led to the Government Property Agency entering into a contract for physical site security without receiving approval under the Cabinet Office Spending Controls. Although the Government Property Agency has not incurred any expenditure on this contract in 2022/23, the total anticipated spend is £179 million excluding VAT over the period of the contract.
3. As approval of this contract has not been received under the Cabinet Office Spending Controls, I have concluded that any expenditure incurred on the contract would be irregular. However, given that the Government Property Agency has not incurred any expenditure under the contract in 2022/23, I have not modified my regularity opinion in this respect. There is a significant risk that I am required to modify my regularity opinion in a future year if a material level of irregular expenditure is reflected in the financial statements.

Gareth Davies
Comptroller and Auditor General
Date 14 July 2023

National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

FINANCIAL STATEMENTS

For the financial year ended 31 March 2023

STATEMENT OF COMPREHENSIVE NET INCOME

For the year ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Operating income	2	(452,625)	(450,386)
Grants	2	(2,312)	(8,678)
Capital Grant In Kind	19	(30,421)	(774,905)
Total operating income		**(485,358)**	**(1,233,969)**
Staff costs	3a	29,750	23,351
Other operating costs	3b	442,119	418,896
Non-cash costs	3c	111,612	618,182
Total operating expenditure		**583,481**	**1,060,429**
Net operating expenditure/ (income)		**98,123**	**(173,540)**
Finance income	4	(19,882)	-
Finance expenditure	4	8,578	-
Net expenditure/ (income) for the year		**86,819**	**(173,540)**
Other comprehensive income			
Net loss /(gain) on revaluation of property, plant and equipment (PPE) & intangible assets	SoCTE	162,038	(238,980)
Net loss /(gain) on revaluation of rights of use assets (ROU)	SoCTE	(2)	-
Total comprehensive net expenditure/ (income) for the year		**248,855**	(412,520)

All income and expenditure relate to continuing operations.
The notes on pages 98 to 163 form part of these accounts.

STATEMENT OF FINANCIAL POSITION

As at 31 March 2023

	Note	31 March 2023 £'000	31 March 2022 £'000
Non-current assets			
Property, plant and equipment	6	1,804,771	1,876,275
Right of Use Assets	7	331,814	-
Intangible assets	8	4,260	2,407
Trade and other receivables	10a	132,674	124,641
Lease Receivables	10a	573,579	-
Total non-current assets		**2,847,098**	**2,003,323**
Current assets			
Assets classified as held for sale	9	4,648	1,000
Trade and other receivables	10a	141,372	164,438
Lease Receivables	10a	104,481	-
Cash and cash equivalents	11	67,254	52,815
Total current assets		**317,755**	**218,253**
Total assets		**3,164,853**	**2,221,576**
Current liabilities			
Trade and other payables	12	(165,941)	(138,928)
Finance Lease element of PFI Contract	18	(15,215)	(16,448)
Lease Liabilities	13	(120,457)	-
Provisions	15a	(8,383)	(8,434)
Total current liabilities		**(309,996)**	**(163,810)**
Total assets less current liabilities		**2,854,857**	**2,057,766**
Non-current liabilities			
Trade and other payables	12	-	(64,975)
Finance Lease element of PFI Contract	18	(445,336)	(476,671)
Lease Liabilities	13	(877,341)	-
Provisions	15a	(108,826)	(94,532)
Total non-current liabilities		**(1,431,503)**	**(636,178)**
Total assets less liabilities		**1,423,354**	**1,421,588**
Taxpayers' equity and other reserves			
General fund	SoCTE	703,108	534,041
Revaluation reserve	SoCTE	720,246	887,547
Total equity		**1,423,354**	**1,421,588**

Steven Boyd MBE
Chief Executive Officer and Accounting Officer

The notes on pages 98 to 163 form part of these accounts.

STATEMENT OF CASH FLOWS

For the year ended 31 March 2023

	Note	2022/23 £'000	2021/22 £'000
Cash flows from operating activities			
Net operating income	SoCNI	(98,123)	173,540
Adjustment for non-cash items			
Adjustments for non-cash income	20	(30,421)	(774,905)
Adjustments for non-cash expenditure	20	111,612	618,182
Movements in working capital			
(Increase)/decrease in trade and other receivables	20	8,408	(47,919)
Movement in IFRS 16 lease receivables	20	30,536	-
Increase/(decrease) in trade and other payables	20	42,545	73,210
Movement in capital accruals		(17,974)	(7,802)
Net cash inflow / (outflow) from operating activities		**46,583**	**34,306**
Cash flows from investing activities			
Purchase of Property, plant and equipment & Intangible assets	6, 8	(211,080)	(117,152)
Movements from capital accruals		17,974	7,802
Net cash inflow / (outflow) from investing activities		**(193,106)**	**(109,350)**
Cash flows from financing activities			
Cabinet Office funding	SoCTE	243,000	30,179
Capital element of payments in respect of PFI contracts	18	(12,618)	(7,638)
Capital element of payments in respect of Leases		(80,724)	-
Interest Paid	4	(8,578)	-
Interest received	4	19,882	-
Net cash inflow / (outflow) from financing activities		**160,962**	**22,541**
Net increase/(decrease) in cash in the period			
Net increase/ (decrease) in cash in year		14,439	(52,503)
Cash and cash equivalents at the beginning of the period	SoFP	52,815	105,318
Cash and cash equivalents at the end of the period		**67,254**	**52,815**

The notes on pages 98 to 163 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2023

	Note	General Fund	Revaluation Reserve	Total Reserves
		£'000	£'000	£'000
Balance at 1 April 2021		631,792	346,885	978,677
Cabinet Office funding	SoCF	30,179	-	30,179
Net (expenditure)/income for the year	SoCNI	173,540	-	173,540
Non-cash adjustments				
Auditor's remuneration	3c	212	-	212
Movements in reserves				
Net gain/(loss) on revaluation of PPE	6	-	238,963	238,963
Net gain/(loss) on revaluation of intangible assets	8	-	17	17
Transfer between reserves		(301,682)	301,682	-
Balance at 31 March 2022		534,041	887,547	1,421,588
Opening Impact of IFRS 16 Adoption IFRS 16	21	7,326	-	7,326
Cabinet Office funding	SoCF	243,000	-	243,000
Net (expenditure)/income for the year	SoCNI	(86,819)	-	(86,819)
Non-cash adjustments				
Auditor's remuneration	3c	295	-	295
Movements in reserves				
Net gain/(loss) on revaluation of PPE	6	-	(162,060)	(162,060)
Net gain/(loss) on revaluation of intangible assets	8	-	22	22
Net gain/(loss) on revaluation of right of use assets	7	-	2	2
Transfer between reserves		5,265	(5,265)	-
Balance at 31 March 2023		703,108	720,246	1,423,354

The notes on pages 98 to 163 form part of these accounts.

Information on reserves

General Fund reserve

The balance of this reserve represents the accumulated surpluses and deficits.

Revaluation reserve

Increases in asset values arising from revaluations are recognised in the revaluation reserve, except where, and to the extent that, they reverse impairments previously recognised in operating expenses, in which case they are reversed in operating expenses. Subsequent downward movements in asset valuations are charged to the revaluation reserve to the extent that a previous gain was recognised unless the downward movement represents a clear consumption of economic benefit or a reduction in service potential.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

1.1 Statement of compliance

These accounts have been prepared under the Government Resources and Accounts Act 2000 and in accordance with the 2022/23 Government Financial Reporting Manual (FReM) issued by HM Treasury (HMT). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounts have been prepared under an accounts direction issued by HMT. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the GPA for the purpose of giving a true and fair view has been selected. The particular policies adopted by the GPA are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

1.2 Basis of preparation

These accounts have been prepared on an accruals basis under the historical cost convention modified to account for the revaluation of Property, plant and equipment (PPE) and the revaluation of Right of Use Assets too. The GPA was created to hold, manage and get the best out of the government's general purpose accommodation and has not been established with a profit motive. The GPA has grown through 2021/22 and 2022/23 by the transfer in of assets from other government departments as part of its programme of on-boarding activities, which will continue over the next 1-2 years. The GPA's Financial Statements and results, as an Executive Agency of Cabinet Office, are consolidated within the Cabinet Office Group. GPA has no subsidiaries.

1.3 Going concern

The accounts for the GPA have been prepared on the basis that the GPA is a going concern.

Parliament has authorised spending for 2023/24 in the Central Government Main Supply Estimates 2023/24 (HC 1383). In addition to the receipt of funding from the Cabinet Office,the GPA invoices property costs to the tenant occupiers. The budget for 2023/24 has been
agreed by the Minister in the annual business plan.

1.4 Judgements and key sources of estimation uncertainty

The preparation of accounts requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the Accounting Date and amounts reported for income and expenditure during the year. However, the nature of estimation means that actual outcomes could differ from those estimates.

In the process of applying the GPA's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the accounts.

a) Transfer of assets and liabilities from other government departments

The transfer of assets and liabilities to the GPA have been assessed in accordance with the FReM and other frameworks covering all such transfers.

Where individual assets have been transferred without a function, these have been transferred at fair value from the date of transfer with an equal and opposite operating Capital Grant-in-Kind (CGiK) to the Statement of Comprehensive Net Income. This treatment aligns with that applied under International Accounting Standard (IAS) 20 Accounting for Government Grants and Disclosure of Government Assistance to assets funded by way of grant, and where assets transferred for nil consideration are considered to be donated assets in kind.

Where individual liabilities have been transferred without a function, these have been transferred at fair value from the date of transfer with an equal and opposite operating loss on acquisition in the Statement of Comprehensive Net Income.

Freehold properties on boarded from other Government entities are subject to measured surveys and valuations by professional valuers following guidance set by RICS and agreed with the transferring department with the transfer being at fair value in accordance with the FReM.

b) IAS 16 treatment for Property, plant and equipment

IAS 16 Property, Plant and Equipment has been applied to all of the Property, plant and equipment held by the GPA. Under IAS 16, Property, Plant and Equipment assets are initially measured at cost, subsequently measured using the revaluation model as required under the FReM, and depreciated so that the depreciable amount is allocated on a systematic basis over the useful life.

The prime objective of the GPA is to facilitate the efficient use of government estate assets and these assets are therefore not ordinarily held to generate a return or for capital appreciation. The adoption of IAS 40 Investment Property is therefore not considered appropriate where the dominant use of an asset is occupation by governmental bodies for operational purposes. The budgeting consequences of adopting IAS 16 will be no different than if properties had remained on individual department's books. On this basis, HMT has agreed to the GPA adopting IAS 16 in these circumstances.

c) GPA as a lessee

The GPA follows IFRS 16 Leases in determining whether an arrangement contains a lease. The GPA makes a judgement about the classification of long-term arrangements as containing a lease based on an evaluation of the terms and conditions of each arrangement, whether the arrangement depends on a specific asset or assets and whether the arrangement conveys a right to use the asset. If the supplier or landlord has substantive substitution rights then the asset is not identified.

For arrangements where the GPA is the lessee and the lease is in scope of IFRS 16, the GPA recognises a right of use asset and corresponding lease liability. The GPA determines the fair value of its lease liabilities and its associated right of use assets based on judgements on the appropriate discount rate to use and the applicable lease term.

GPA cannot ordinarily determine the implicit rate of interest inherent within its leases and uses the Government incremental borrowing rate as promulgated by HM Treasury. For leases that commenced or are remeasured after 1 January 2023, the HM Treasury discount rate is 3.51%. For leases that commenced or are remeasured prior to 1 January 2023, the HM Treasury discount rate is 0.95%.

The lease term for each lease liability is derived based on an assessment of whether each break and renewal option is reasonably certain to be exercised. This assessment is determined with consideration of the GPA's estate strategy as informed by engagement with clients.

The GPA makes a judgement in determining the fair value of right of use assets for subsequent measurement. Depreciated cost is used as a proxy for fair value in the vast majority of cases. The GPA leases properties for their sub-leasing potential, generally on terms matching the head lease. Where properties are vacant due to refurbishment through the hubs programme, the GPA expects future sub-lease rent to exceed head lease rent due to reflect improved condition.

For long leases with peppercorn rents, depreciated cost is assessed to not be an appropriate proxy for fair value. These leases are subject to professional valuation in accordance with current RICS valuation standards.

d) GPA as a lessor

The GPA makes a judgement as to whether a lease should be classified as a finance or operating lease under IFRS 16 based on whether or not the lease transfers substantially all the risks and rewards incidental to ownership of the underlying asset.

While other factors are considered, the main criterion is whether the lease term accounts for the majority of the useful economic life of the underlying asset. A lease term in excess of 75% of the expected useful economic life of the underlying asset would typically be assessed as a finance lease, but this could be overridden by assessment of other relevant factors set out under IFRS 16. For example, where the GPA has substantive substitution rights meaning it retains the right to direct the use of the asset.

Where a lease is assessed as a finance lease, the GPA values its associated lease receivable asset using the interest rate implicit in the lease.

The lease term for the lease receivable asset is derived based on an assessment of whether each break and renewal option is reasonably certain to be exercised. This assessment is determined with consideration of the GPA's estate strategy as informed by engagement with clients.

e) Leasehold improvements

Where leasehold improvements have taken place, a review of the head lease and the TOA in relation to the property is undertaken by the GPA. If the majority of the property improvements are to space occupied by a single tenant and the occupant’s tenancy is for the life of the head lease then the tenant is deemed to be in receipt of economic benefit and therefore the asset is recognised by the tenant rather than GPA. Where the improvements are deemed to be for the benefit of all tenants and/or the life of those improvements extends past individual tenancies, GPA recognises the leasehold improvements within property, plant and equipment.

f) Freehold land and building valuations

Freehold land and buildings held by the GPA are shown at fair value as calculated by independent qualified valuation experts. Valuations are based on a number of key assumptions including the market rent for each freehold land and building and an appropriate yield. These are derived based on an analysis of comparable freehold land and building transactions and in accordance with relevant RICS guidance.

Specialised freehold land and buildings are carried at depreciated replacement cost (DRC) to a modern equivalent basis in accordance with the Red Book, adjusted for functional obsolescence. Alternative sites are used in the DRC valuation where appropriate. A freehold land and building is considered specialised if it is rarely, if ever, sold in the market due to the uniqueness arising from its specialised nature and design, its configuration, size, location or otherwise.

Valuations are prepared based on level 2 inputs - inputs that can be corroborated by observable market data - as per the IFRS 13 Fair Value Measurement hierarchy of inputs. In preparing these valuations, consideration is given also to some level 3 unobservable inputs; rent free periods and other inducements and interpretation of observable rents and yields which can be applied to the subject freehold land and building.

Freehold land and building valuations are derived from independent professional valuers' estimates of market rental values and expected yields for each freehold land and building. While holding all other assumptions constant, if the average market rental value was 10 per cent higher (lower), the value of the GPA's land and buildings assets would increase (decrease) by £159,208,000.

The GPA's net valuation losses for 2022/23 totalled £231,247,000 (14% of net book value).

Approximately 75% of the loss (£172,804,000) has been absorbed by the Revaluation Reserve, it being offset against revaluation gains recorded in previous financial years. The remaining 25% (£58,443,000) has been expensed.

The main driver for current valuation losses is inflation in the economy. High interest rates and rising prices are currently dampening demand for leased office space, causing a downward pressure on real estate values.

g) Expected credit losses

Impairments of trade and other receivables stem from doubtful debt provisions and bad debt write offs. A credit loss is recognised in the SoCNI and a loss allowance is established against specific debts by reference to payment history against settlement terms and the expectancy of future payments. Where the credit risk increased significantly and the risk is no longer considered low the full lifetime expected credit losses are recognised in the SoCNI.

IFRS 9 Financial Instruments requires recognition of 'expected' losses rather than 'incurred' losses.

An allowance for expected credit loss is determined for all financial assets in the context of forecast future economic conditions. IFRS 9 introduces a 3-

stage Expected Credit Loss (ECL) impairment model which requires different levels of provision based on relative changes in the credit risk of a debt instrument since its initial recognition.

An adaptation to the FReM allows that balances with core central Government Departments (including their executive agencies) are excluded from recognising stage 1 and stage 2 impairments. ALBs are excluded from this exemption.

Stage 1 – Credit risk has not increased significantly since initial recognition of the asset. Provision is held for an expected credit loss resulting from possible default events over the next 12 months.

Stage 2 – Credit risk has significantly increased since initial recognition of the asset. Provision is held for expected credit losses from possible default events over the expected life of the asset.

Stage 3 – Objective evidence of impairment exists. Provision is held for full impairment.

GPA takes the 'simplified' approach permitted under the standard which eliminates the need to calculate a 12 month ECL and to assess when a significant increase in credit risk has occurred.

GPA estimates ECL by classifying categories of trade and other receivables by risk and applying an impairment based on judgement on expectancy of future payments, historic experience of write-offs and age of the debt.

The GPA has assessed its lease receivables, which are recognised where it acts as a lessor and that lease is a finance lease, for lifetime expected credit losses and in management's view no impairment to these receivables is required. These payments are regularly received without delinquency.

h) Dilapidation provisions

Provisions for dilapidation charges are based on the best estimate of the amount required to settle the obligation following an assessment of risks and uncertainties, terms of legal agreements, and where appropriate, independent professional valuation reports.

A provision is made for estimated costs based on valuations where the likelihood of settlement is material and imminent or via the use of industry standard calculations/methodologies. Where a corresponding receivable is due from the occupier under a sublease, this is calculated on the same basis and also recognised in the SoFP. Any difference from the established liability arising from voids is either recognised in the SoCNI, if the sublease is a finance lease, or capitalised in the SoFP as part of the head lease right of use asset, if the sublease is an operating lease.

Landlord intentions are a significant source of uncertainty when estimating these provisions. The final amount settled can vary significantly depending on a landlord's future intentions for the property and whether they actually serve a dilapidations claim. The GPA assumes that a dilapidation provision is required for each building where relevant unless specifically notified otherwise, hence does not make any allowance in the provision for potential non-claims.

Each individual property dilapidation provision is subject to a desktop valuation every five years. Indexation is applied in the intervening years to report valuations at present value. A physical valuation is obtained within two years of planned building exit. Additional desktop valuations were undertaken during 2021/22, meaning which has reduced uncertainties stemming from multiple years of inflationary uplifts.

Dilapidation provisions for each property are reported at present values using current prices. They are indexed each year using the Building Cost Information Service (BCIS) Tender Price Index where physical inspections and desktop valuations are not yet due.

During 2022/23, approximately £62.9m (63%) of the total dilapidation provision as at 31 March 2022 was subject to indexation. Therefore each 1% of indexation adds £629k to the existing provision. The movement in the BCIS Tender Price Index during 2022/23 was an increase of 7.68%.

BCIS indices are produced by the Royal Institute of Chartered Surveyors (RICS), and as such, are seen as an industry standard. The GPA considers these to be most appropriate for maintaining dilapidation provisions at current prices.

By comparison, desktop valuations accounted for £15.6m (13%) of the total dilapidation provision as at 31 March 2023. These are based on a dilapidation rate of £323/sqm.

The £323/sqm rate is considered to be an average rate for an internal repairing and reinstatement obligation for a typical government building that should allow sufficient provision for the dilapidations claim. The rate includes general strip out of the fit out, making good to ceilings, walls and floors, general repairs, decoration, new floor coverings, reinstatement of building services, updating statutory testing and manuals, contractor’s preliminary items, professional fees in connection with the work and an element of

contingency. It is varied if the building is more complex, or if a schedule of condition applies
to the obligations that clearly shows that the liability is likely to be reduced.

Dilapidation provisions based on desktop exercises will be sensitive to changes in the rate used. For GPA’s 2022/23 provision, a £10 increase/(decrease) in the rate used would result in a change of around £450k in the provision.

Other variables that can impact on the calculation of forecast dilapidation for a property include the accuracy of floor area measurements and the assessment of property condition. Property listings (Grade I and Grade II) are also considered where buildings have architectural or historical features considered to be of national importance, although the impact of this on dilapidations is minimal.

1.5 Operating segments

Operating segments are based on the main areas of business activity and align with performance reporting. They are evaluated regularly by the Chief Operating Decision Maker (CODM) in deciding how to allocate resources and in assessing performance. The CODM has been identified as the Accounting Officer supported by the Board.

1.6 Employee benefits

Short-term benefits
Where an employee has rendered service to the GPA during the financial year, the GPA recognises as an expense the undiscounted amount of short-term employee benefits expected to be paid wholly in exchange for that service before 12 months after the end of the reporting period.

Annual leave earned but not taken by year-end is recognised on an accruals basis. Performance non-consolidated payments are recognised when the appraisal process has been finalised.

1.7 Revenue

Revenue is the gross inflow of economic benefits to the GPA which arises from rental income income from operating leases, contract income and capital grants.

Rental income from operating leases

Rental income, including fixed rental uplifts, is recognised in accordance with IFRS 16 on a straight-line basis over the term of the lease which is considered to be the date of the lease commencement to the earliest termination date. A rent adjustment based on open market estimated rental value is recognised from the rent review date in relation to unsettled rent reviews. Lease incentives, such as rent-free periods and contributions towards tenant costs are recognised evenly over the lease term.

Incentives for the agreement of a new or renewed operating lease given to tenants are recognised as a reduction of the rental income over the lease term, irrespective of the incentive's nature or form, or the timing of payments.

Contract income

Income from contracts outside the scope of IFRS 16 is recognised in accordance with IFRS 15 Revenue from Contracts with Customers. The GPA recognises revenue when it satisfies a performance obligation by transferring a promised good or service to a customer.

Income has been disaggregated by major service line. The GPA typically satisfies performance obligations as services are rendered. There are no significant financing components of any contracts carried out with cash flows matching the provision of services and a receivable recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the GPA.

Income from Rates, Other Landlord Services and Workplace Services arise from client leases which provide for the recovery of the operating expenses incurred by the GPA as well as management fees based on the GPA charging policy. The non-rental element of the contract is separated from the lease rental element and assessed by reference to the operating costs incurred in relation to each lease and rental space. Clients are invoiced quarterly in advance based on estimated annual budgets. Performance obligations are assumed to be satisfied evenly over the period of the quarterly charge and income recognised on a straight line basis. A contract liability is recognised for income relating to performance obligations which have not yet been satisfied. Within four months of the annual service period ending, the GPA will reconcile estimated annual budget to actual cost of service provision and issue balancing charges or refunds as appropriate.

Additional Property & Project Services, Consultancy Services and Logistics Services contracts tend to be ad hoc and relate to specific goods or services. The transaction price is determined in the contract and is recognised at the point in time when the customer takes possession of the asset. Cash flows match the provision of services and a receivable is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the GPA.

Gainshare income is recognised where the GPA achieves savings on behalf of clients through commercial advisory work such as service charge challenges.

The GPA receives a share of savings as set out in client Managed Services Agreements. Income is recognised when the amount can be reliably measured and it is probable that future economic benefits will flow to the GPA.

Capital grants

Capital grant income is recognised where the GPA receives grants from clients to carry out capital investment on their behalf. Income is recognised in accordance with IAS 20 Accounting for Government Grants and Disclosure of Government Assistance. The income is recognised in a pattern equal to the consumption of value of the capital investment created by the grant.

Capital grant in kind income is the fair value of assets transferred to the GPA for nil consideration. Income is recognised on the date of asset transfer. See note 1.4a.

1.8 Finance Income and Expenses

Finance income is mainly comprised of interest income on lease receivables.

Finance costs are comprised of interest expense on leases.

Interest income and interest payable is recognised in the Statement of Comprehensive Net Income as it accrues, using the effective interest method.

1.9 Taxation

Some of the activities of the GPA are outside the scope of VAT. Irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of non-current assets. Where output tax is charged or input VAT is recoverable, the amounts are stated net of VAT. The net amount due from/to HM Revenue and Customs (HMRC) in respect of VAT is included within receivables and payables in the SoFP as appropriate.

The GPA being a Crown body is not subject to corporation, income, stamp duty land tax or capital gains taxes.

1.10 Property, plant and equipment

Property, plant and equipment is recognised initially at cost and thereafter carried at fair value less depreciation and impairment charged subsequent to the date of revaluation, except for art and antiques which are treated as Heritage Assets which are non-depreciating. Cost comprises the value of the donated asset or the amount of cash paid to acquire the asset and includes any costs necessary to bring the asset into working condition for its intended use. The capitalisation threshold for expenditure on property, plant and equipment is £5,000. Some heritage assets have been transferred to the GPA. The value of these are immaterial and, on this basis, they are neither revalued, depreciated nor indexed.

Any revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the SoCNI, in which case the increase is recognised in the SoCNI. A revaluation deficit is recognised in the SoCNI, except to the extent of any existing surplus in respect of that asset in the revaluation reserve. Impairment losses that arise from a clear consumption of economic benefit are taken to the SoCNI.

1.11 Depreciation and impairment on Property, plant and equipment

Property, plant and equipment are depreciated at rates calculated to write them down to estimated residual value on a straight-line basis over their estimated useful lives. Useful lives and residual values are reviewed annually and, where adjustments are required, these are made prospectively. Asset lives are in the following ranges:

Freehold buildings, including dwellings	10 to 50 years
Leasehold building improvements	over the remaining term of the lease
Information technology and office equipment	2 to 14 years
Plant and machinery	3 to 25 years
Furniture and fittings	3 to 14 years

Assets in the course of construction are not depreciated until the assets are available for use. No depreciation is provided on freehold land and heritage assets since they have unlimited or very long estimated useful lives, nor on non-current assets held for sale which meet IFRS 5 Non-current Assets Held for Resale and Discontinued Operations criteria. Assets continue to depreciate until they are derecognised.

The carrying values of Property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable. If an asset is determined to be impaired, the asset is written down immediately to its recoverable amount.

Where there is no reasonable certainty that the GPA will obtain ownership at the end of the lease – the asset is depreciated over the shorter of the lease term or the life of the asset.

1.12 Revaluation of property, plant and equipment

Land, buildings and dwellings are revalued to fair value every five years using professional valuations prepared in accordance with current Royal Institution of Chartered Surveyors (RICS) valuation standards. Each property is revalued on a rotational basis on a five-year cycle. Until 2021/22, annual indexation was applied in the interim years at a rate deemed to be appropriate by the independent valuers. From 2022/23, desktop valuations are provided by the independent valuers in the interim years as this is considered more accurate.

Properties are valued primarily using Existing Use Value (EUV) approach and estimated using the investment method with key inputs and assumptions being the floor areas, estimated market rent and yield.

Leasehold improvements, plant and machinery, IT hardware, and fixtures and fittings assets are all revalued each year using relevant indices including BCIS and ONS indices.

1.13 Donated assets

Donated assets which are held for their service potential are capitalised at current value in existing use.

The value of donated assets is recognised as capital grant-in-kind income. Any subsequent revaluation surplus is credited to the revaluation reserve except to the extent that it reverses a decrease in the carrying value of the same asset previously recognised in the SoCNI, in which case the increase is recognised in the SoCNI. A revaluation deficit is recognised in the SoCNI, except to the extent of any existing surplus in respect of that asset in the revaluation reserve.

1.14 Intangible assets

Intangible assets are defined as identifiable nonmonetary assets without physical substance. Intangible assets are measured on initial recognition at cost. The capitalisation threshold for expenditure on intangible assets for the GPA is £5,000.

Following initial recognition, where an active market exists, intangible assets are carried at fair value in the SoFP. Where no active market exists, the GPA uses published indices to assess the depreciated replacement cost. Expenditure that does not meet the criteria for capitalisation is treated as an operating cost in the year in which it is incurred.

Development expenditure is recognised as an intangible asset when the GPA can demonstrate: the technical feasibility of completing the intangible asset so that it will be available for use; its intention to complete and its ability to use the asset; how the asset will generate future economic benefits; the availability of resources to complete the asset; and the ability to measure reliably the expenditure during development.

Research costs are expensed as incurred. Following initial recognition of development expenditure as an asset, where an active market exists, the asset is subsequently measured at fair value. Where no active market exists, the asset is carried at amortised replacement cost, indexed for relevant price increases, as a proxy for fair value.

1.15 Amortisation of intangible assets

Intangible assets are currently assessed to have a finite life of between three and five years and are assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Assets in the course of construction are not amortised until the assets are brought into use. Externally acquired computer software licences are amortised over the shorter of the term of the licence and the useful economic life of three to six years.

1.16 Assets classified as held for sale

Assets held for sale are assets where the carrying amount will be recovered principally through a sale transaction rather than through continuing use.

For an asset to be classified as held for sale, it must be available for immediate sale in its present condition, subject only to terms that are usual and customary for sales of such assets; its sale must be highly probable; and it must genuinely be expected to be sold, not abandoned. Items of property, plant and equipment that are classified as held for sale are written down to fair value less costs to sell if lower than their carrying value, and are not depreciated further.

1.17 Leases

The GPA accounts for leases in accordance with IFRS 16 with effect from 1 April 2022. See 1.4c,1.4e & 1.24b for judgements and transition approach.

The GPA as a lessee

For arrangements where the GPA is the lessee and the lease is in scope of IFRS 16, the GPA recognises a right of use asset and corresponding lease liability.

The right of use asset is initially measured at cost, which comprises the present value of unavoidable future lease payments, adjusted for any initial direct costs, prepayments or incentives and an estimate of any repair or restoration costs. The right of use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight line basis. Depreciation expenditure is recorded in the SoCNI.

Right of use assets are subsequently measured at fair value, with depreciated cost being used as a proxy for fair value in the vast majority of cases. The GPA leases properties for their sub-leasing potential, generally on terms matching the head lease. Where properties are vacant due to refurbishment through the hub, the GPA expects future sub-lease rent to exceed head lease rent due to reflect improved condition.

For a small portion of leases, depreciated cost is assessed to not be an appropriate proxy for fair value, for example in the case of long leases with peppercorn rents. These leases are subject to professional valuation in accordance with current RICS valuation standards.

Right of use assets are tested for impairment in accordance with IAS 36 Impairment of Assets.

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications. The GPA recognises interest on the lease liability as a finance cost in the SoCNI.

The GPA has applied the exemption for short-term leases (less than 12 months) and low value assets. In these cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognised as an expense from short-term leases.

The GPA as a lessor

The GPA classifies its subleases as finance leases or operating leases. A sublease is classified as a finance lease if it transfers substantially all the risks and rewards of ownership of the underlying asset. If the sublease does not transfer substantially all the risks and rewards of ownership then the lease is classified as an operating lease.

Where it is determined that as lessor, a finance lease is the appropriate treatment, the right of use asset (or in some cases freehold property asset) has been derecognised in favour of a lease receivable asset, which is amortised in a similar manner to the lease liability but with interest recognised as finance income in the SoCNI. A gain or loss on disposal of the right of use or freehold property asset has been recognised in the SoCNI at the time of the recognition of the lease receivable.

Where it is determined that as lessor, an operating lease is the appropriate treatment, the GPA recognises rental income in the SoCNI on a straight-line basis over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

1.18 Financial assets

IFRS 9 Financial Instruments reflects the business model in which assets are managed and their cash flow characteristics and contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value through Profit and Loss (FVTPL) or net operating expenditure as interpreted by the FReM.

Trade receivables

Trade and other receivables are recognised in line with IFRS 9 initially at fair value and recoverable amount and subsequently measured at amortised cost.

Impairments of trade and other receivables stem from doubtful debt provisions and the write off of bad debt. A credit loss is recognised in the SoCNI and a loss allowance is established against specific debts by reference to payment history against settlement terms and the expectancy of future payments.

1.19 Cash and cash equivalents

Cash in the SoFP comprises cash at bank. The GPA is funded by Parliamentary Funding drawn down through the Cabinet Office as part of the Supply process - the GPA draws down Funding from the Consolidated Fund via the Cabinet Office, up to the limits set and agreed as part of the Supply Estimates process.

1.20 Financial liabilities

Financial liabilities are held at amortised cost. Financial liabilities are derecognised when the contract that gives rise to it is settled, sold, cancelled or expires.

Trade payables and accruals

Trade payables and accruals are recognised initially at cost, which is deemed to be materially the same as the fair value and subsequently measured at amortised cost.

1.21 Provisions

A provision is recognised when the GPA has a legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

For dilapidations, a provision is made for estimated costs based on valuations where the likelihood of settlement is material and imminent or via the use of industry standard calculations/methodologies.

HMT discount rates for general provisions are applied where appropriate.

1.22 Contingent liabilities and contingent assets

Contingent assets and liabilities are treated in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, where they meet the criteria.

The GPA discloses a contingent asset where it is probable that there will be an inflow of economic benefits from an event whose outcome is uncertain. An estimate of the financial effect is indicated where possible

1.23 PFI Service concessions

The GPA is party to private finance initiatives (PFIs). The classification of such arrangements as service concession arrangements requires the GPA to determine, based on an evaluation of the terms and conditions of the arrangements, whether it controls the Infrastructure.

The GPA accounts for PFI transactions on a control approach based on the FReM, which uses IFRIC 12 Service Concession Arrangements to inform its treatment. The GPA is considered to control the infrastructure in a public-to-private service concession arrangement if:-

- The GPA controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price.
- The GPA controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise.

Where it is determined that such arrangements are not in scope of IFRIC 12, the GPA assesses such arrangements under IFRS 16 Leases as set out in note 1.4.

Where it is determined that arrangements are in scope of IFRIC 12, the GPA recognises the infrastructure as a non-current asset.

Where the contract is separable between the service element, the interest charge and the infrastructure asset, the lability is measured in line with the FReM, with the service element and the interest charge recognised as incurred over the term of the concession arrangement. Where there is a unitary payment stream that includes infrastructure and service elements that cannot be separated, the various elements will be separated using estimation techniques.

In determining the interest rate implicit in the contract, the GPA applies the risk-free market rate at the time the contract was signed. The rate is not changed unless the infrastructure element or the whole contract is renegotiated. The risk-free rate is determined by reference to the real rate set by HM Treasury.

The nominal rate is then calculated by adjusting this real term rate by the UK inflation rate.

The GPA recognises a liability for the capital value of the contract. That liability does not include the interest charge and service elements, which are expensed annually to the SoCNI.

During 22/23, it was identified that the opening liability in relation to the London, 2 Marsham Street contract was overstated as it included an estimate for indexation in future years which had not yet taken effect. The opening liability has been adjusted during 22/23 with an immaterial impact on the SoFP and SoCNI.

On initial recognition of Public-Private partnership arrangements or PFI contracts under IFRS, the GPA measures the non-current asset in the same way as other non-current assets of that generic type. A liability is recognised for the capital value of the contract at its fair value at the period end, which will normally be the outstanding liability in respect of the asset (that is, excluding the interest and service elements), discounted by the interest rate implicit in the contract.

Assets are revalued in accordance with the revaluation policy for property, plant and equipment and intangible assets. Liabilities are measured using the appropriate discount rate.

1.24 Changes in accounting policy and disclosures

a) Changes in accounting policies
IFRS 16 Leases are now applicable to the GPA from 1 April 2022. The standard introduces new or amended requirements with respect to lease accounting. A new accounting policy for IFRS 16 has been adopted. See 1.4c,1.4d & 1.24b.

b) New and amended standards adopted

IFRS 16 Leases

The GPA adopted IFRS16 in accordance with the modified retrospective approach. Previously, where the GPA entered a lease as a lessee, each lease contract was recognised either as a finance lease or an operating lease, with the accounting treatment appropriate for each category. Under IFRS 16, lease contracts are recognised in right of use assets and in lease liabilities by a debt corresponding to the discounted value of future payments.

The transition method used consists of recognising the cumulative effect of the initial application as an adjustment to opening equity by considering that the right-of-use of the underlying asset is equal to the amount of the lease liability, adjusted by amounts of rent paid in advance, lease incentives received from the landlord.

The GPA has applied the practical expedient not to reassess whether a contract is or contains a lease at the date of initial application. As part of the initial application the GPA chose to apply the relief option, which allowed it to adjust the right of use asset by the amount of any provision for onerous leases recognised in the balance sheet immediately before the date of initial application. The GPA has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases. The GPA has applied the practical expedient for short-term leases (less than 12 months) and low value assets. In these cases, the leases are accounted for as short-term leases and the lease payments associated with them are recognised as an expense from short-term leases. In line with transition guidance, estimates of dilapidation costs have not included in opening right of use asset values at 1 April 2022.

The following reconciliation to the opening balance for the lease liabilities as at 1 April 2022 is based on the operating lease obligations as at 31 March 2022:

Reconciliation	£'000
Operating Lease Commitments as at 31 March 2022	834,893
Gross Lease Liabilities as at 1 April 2022	**834,893**
Discounting	(115,410)
Short term leases excluded	(19,584)
Leases of low value excluded	(7)
Additional leases added into opening balance	40,441
Lease term increases	30,845
Rent increases	11,925
Lease Liabilities as at 1 April 2022	**783,103**
Present Value of finance lease liabilities as at 31 March 2022	-
Additional lease liabilities as a result of IFRS 16 as at 1 April 2022	**783,103**
Right-of use assets derecognised and re-categorised as leases receivable	(409,616)
Reclassification of peppercorn rents to right-of-use assets under IFRS16	42,060
Amounts accrued for amortised expenditure during rent free periods	(69,887)
Amounts accrued for amortised rent	10,344

receivable during rent free periods	
Amounts accrued for deferred income and onerous leases	(10,620)
Amounts prepaid	24,619
Right-of-use asset value at 1 April 2022	**370,003**

The discount rates applied as of the transition date are based on the GPA's incremental borrowing rate. The measurement on leases that commence or are remeasured in accordance with IFRS 16 prior to January 2023 and in the 2022 calendar year, have used a discount rate of 0.95%. The discount rate used for leases that commenced or are remeasured after 1 January 2023 is 3.51%.

Disclosures regarding right-of-use assets and lease liabilities and other disclosures can be found under the relevant balance sheet items and note 1.4c and 1.4d, respectively.

For the impact of the first time application of IFRS 16 on the 2022 financial statements, please see note 21.

c) Impending application of newly issued accounting standards not yet effective

The following standards and amendments are expected to be applied in future accounting periods as directed by the Financial Reporting Manual.

IFRS 17 Insurance

IFRS 17 Insurance is expected to be applied in 2025/26. It is not envisaged that this standard will have any impact on the GPA.

PFI Service concessions

The 2023/24 FReM includes an amendment that indexation linked payments should be included in PFI financing liabilities in accordance with IFRS 16 Leases. The amendment will have an impact on the GPA as PFI unitary payments are annually index linked to the Retail Price Index (RPI) and the GPA held PFI financing liabilities at 31 March 2023 of £460.5m. The impact of the change is expected to result in a material increase in the PFI liability.

The future PFI financing liability will be remeasured at 1 April 2023 to include the indexation linked changes to payments for the capital element which have taken effect in the cash flows since the PFI arrangement commenced. This will use a cumulative catch-up approach, where the cumulative effect is recognised as an adjustment to the opening balance of the General Fund. Comparative information will not be restated.

The PFI financing liability will be subsequently remeasured whenever there is a change in the cash flows. The increase in the liability will be recorded as a finance expense in the SoCNI.

d) Changes in presentation and reclassifications

The classifications in the operating income note (Note 2) and expenditure note (Note 3) have been revised to separately present Logistics Services income and expenditure as a growing business area. Prior year comparatives have been restated to ensure comparability across years.

2. Operating Income

	Note	2022/23	Restated 2021/22
		£'000	**£'000**
Rental income		135,363	213,768
Revenue from contracts with customers			
Rates Income		71,508	60,983
Other Landlord Services income		106,390	63,015
Workplace Services income		71,862	62,947
Management fee income		10,820	8,853
Additional Property & Project Services		44,808	32,954
Logistics Services		5,555	1,183
Consultancy Services		(545)	3,175
Gainshare income		6,864	3,508
Total Operating Income		**452,625**	**450,386**
Capital grants			

Capital grant income (recharges)		2,312	8,678
Capital grant-in-kind transfers of assets from other government departments	19	30,421	774,905
Total		**485,358**	**1,233,969**

The classifications in the operating income note have been revised to disclose Logistics Services separately from Additional Property & Project Services as a growing business area. Prior year comparatives been restated by reclassifying £1,183k to ensure comparability across years. The total is unchanged.

3a. Staff Expenditure

	Note	2022/23	2021/22
		£'000	£'000
Wages & salaries*		18,312	12,973
Agency staff		9,820	5,559
Untaken Annual leave		222	229
Other pension costs		4,674	3,411
Social security costs		2,156	1,490
Apprenticeship levy		86	57
Inward secondments		2,135	2,316
Recoveries in respect of outward secondments		-	87
Staff engaged in capital projects		(7,655)	(2,771)
Total		**29,750**	**23,351**

*Further detail is available in the Remuneration and Staff Report.
The capitalisation of staff engaged in capital projects and contractor costs is based on time spent directly attributable to capital projects. Staff may be full-time dedicated to a project or their time part-apportioned to a project.

3b. Operating Expenditure

The classifications in the operating expenditure note have been revised to disclose Logistics Expenditure separately from Supplies and services as a growing business area. Prior year comparatives have been restated by reclassifying £1,105k to ensure comparability across years. The total is unchanged.

	Note	2022/23 £'000	Restated 2021/22 £'000
Landlord Services			
Rent		23,752	137,330
Rates		74,787	61,935
Head Lease Service charge		23,117	17,502
Insurance		1,757	2,034
Utilities		14,350	13,862
PFI Service Charge		91,442	30,219
PFI Interest Charges		46,173	29,660
Other property related costs		10,026	7,884
Workplace Services			
Fixed FM		39,600	32,842
Variable FM		15,150	17,293
Operational Security		11,623	12,616
Workplace ICT		3,847	2,825
Workplace Projects		18,920	18,595
Fixture & Fittings		91	338
Whitehall Systems Heating		5,429	2,815
Other Operating Expenditure			
Professional services		41,063	19,839
Other staff-related costs		1,677	1,366
IT costs		3,907	2,786
Supplies and services		736	1,049
Logistics Expenditure		5,455	1,105

Travel, subsistence and hospitality	1,252	420
Consultancy	1,321	797
Capital Grant Expenditure	6,644	3,784
Total	**442,119**	**418,896**

3c. Non-cash expenditure

		2022/23	2021/22
		£'000	£'000
Depreciation - property, plant and equipment	6	43,272	39,566
Depreciation - right of use assets	7	26,840	-
PFI onboarding liability transfers		-	500,757
Non-cash PFI adjustments		(19,950)	-
Movement in provisions	15	(128)	(8,680)
Auditor's remuneration		295	212
Amortisation	8	359	155
Impairment - property, plant and equipment	6	59,776	85,332
Impairment - right of use assets	7	94	-
Change in provision for expected credit losses	10b	(2,600)	540
Asset held for sale - loss on change in fair value	9	-	300
Loss on remeasurement of lease liability-IFRS 16		3,654	-
Total		**111,612**	**618,182**

Auditor's remuneration

The costs of the audit performed by the National Audit Office on behalf of the Comptroller and Auditor General are recognised as a non-cash charge. During the year, GPA did not purchase any non-audit services. The cost comprises £295,000 (2021/22: £212,000) for the audit of the GPA Annual Report and Accounts.

4. Finance Income/Costs

	Note	Mar-23 2022/23	Mar-22 2021/22
		£'000	**£'000**
Finance Income			
Interest on Leases		19,882	-
		19,882	**-**
Finance Costs			
Interest on obligations under leases		8,578	-
		8,578	**-**

5. Segmental analysis

In accordance with IFRS 8 Operating segments, the GPA is required to report financial and descriptive information about its operating segments. These are components about which separate financial information is available. Financial information is required to be reported on the same basis as is used internally by the GPA decision makers. These are the Board and the Chief Executive Officer who evaluate performance regularly using operating segments. The GPA summarises its activities into three main segments as set out below.

Investment

Investment comprises the Capital Projects directorate which is responsible for delivering GPA's office development and optimisation programme through investment in a transformed, sustainable and value for money office estate for civil servants.

Operate

Operate comprises the Property and Workplace Services directorates. The Property directorate manages our property portfolio, in association with the Property Partner, while the Workplace Services Directorate supports customers in moving to and using our workplaces.

Support

Support comprises the Client Solutions, Chief Operating Officer and Finance Directorates. Client Solutions leads all client-related and business development activity. Chief Operating Officer coordinates performance and provides support in commercial, legal, data and technology, security, HR and marketing and communications. Finance is responsible for the GPA stakeholder financial reporting and planning, financial transaction processing and the financial control framework.

There are no significant transactions between the segments and where costs relate to more than one segment they are apportioned appropriately with reference to the underlying substance of the transaction.

Table 5a presents resource expenditure, which is reported to the Board by segment. Table 5b reconciles this total to the SoCNI, which also includes Annually Managed Expenditure (AME) and SoCNI expenditure which counts towards capital for budgeting purposes. The Board does not receive a SoFP analysed by operating segment and therefore such an analysis is not presented here.

5a Total net resource expenditure as reported to the Board in 2022/23

	Gross expenditure £'000	Income £'000	**2022/23** **Net** £'000
Investment	48,279	(25,130)	**23,149**
Operate	398,255	(438,752)	**(40,947)**
Support	31,218	(8,621)	**22,597**
Total	**477,752**	**(472,503)**	**5,249**

5b Reconciliation between operating segments and SoCNI in 2022/23

	Gross expenditure £'000	Income £'000	**2022/23** **Net** **£'000**
Total net expenditure by operating segment as reported to the Board	477,752	(472,503)	**5,249**
Capital Grant In Kind	-	(30,421)	**(30,421)**
Capital income and expenditure	6,644	(2,312)	**4,332**
PFI Onboarding Liability Transfer	(19,950)	-	**(19,950)**
Depreciation, amortisation and impairment	70,456	-	**70,456**
Accounting treatment of provisions and AME impairments	57,156	-	**57,156**

Other adjustments	1	(4)	**(3)**
Total net expenditure per SoCNI	**592,059**	**(505,240)**	**86,819**

5c Total net resource expenditure as reported to the Board in 2021/22

	Gross expenditure £'000	Income £'000	**2021/22** **Net** £'000
Investment	24,391	(11,550)	**12,841**
Operate	393,478	(436,164)	**(42,686)**
Support	21,592	(2,674)	**18,918**
Total	**439,461**	**(450,388)**	**(10,927)**

5d Reconciliation between operating segments and SoCNI in 2021/22

	Gross expenditure £'000	**Income** £'000	**2021/22** **Net** **£'000**
Total net expenditure by operating segment as reported to the Board	439,461	(450,388)	**(10,927)**
Capital Grant In Kind	-	(774,905)	**(774,905)**
Capital income and expenditure	3,784	(8,676)	**(4,892)**
Lease incentives	(785)	-	**(785)**
PFI onboarding liability transfers	500,757	-	**500,757**

Depreciation, amortisation and impairment	40,237	-	**40,237**
Accounting treatment of provisions and AME impairments	76,975	-	**76,975**
Other adjustments	-	-	**-**
Total net expenditure per SoCNI	**1,060,429**	**(1,233,969)**	**(173,540)**

MAJOR CUSTOMERS

The GPA's largest customer, excluding Capital Grant-in-kind, is The Cabinet Office. Income from Cabinet Office totalled £59.1m (2021/22: £43.5m) for the year ended 31 March 2023 and is reported in the Operate segment. Other major customers of the GPA are: Department for Education (DFE), Department for Business, Energy and Industrial Strategy (BEIS), Home Office, The Crown Prosecution Service and Department for Levelling Up, Housing and Communities (DLUHC).

6. Property, plant and equipment

	Land	Buildings excl. Dwellings	Dwellings	IT	Plant & Machinery	Leasehold Improvements	Furniture & Fittings	Heritage Assets	Assets under Construction	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2022	865,690	815,879	7,467	10,997	9,661	130,199	12,518	116	110,328	**1,962,855**
Effect of adoption of IFRS 16	-	(42,060)	-	-	-	-	-	-	-	**(42,060)**
Revised 1 April 2022	865,690	773,819	7,467	10,997	9,661	130,199	12,518	116	110,328	**1,920,795**
Additions	-	-	-	-	-	-	-	-	208,941	**208,941**
Disposals	-	-	-	-	-	-	-	-	-	-
Impairment	(6,568)	(51,907)	32	-	-	-	-	(25)	(1,308)	**(59,776)**
Reclassifications	-	6,261	1	2,080	7	27,277	1,223	-	(36,899)	**(50)**
Asset transfer from other government bodies	4,145	13,510	-	-	-	12,631	-	-	135	**30,421**
Transfer to assets held for sale	(1,169)	(2,729)	-	-	-	-	-	-	-	**(3,898)**
Revaluations	(221,547)	(15,821)	(175)	1,061	916	11,655	1,033	-	-	**(222,878)**
As at 31 March 2023	**640,551**	**723,133**	**7,325**	**14,138**	**10,584**	**181,762**	**14,774**	**91**	**281,197**	**1,873,555**
Depreciation										
At 1 April 2022	-	40,344	174	3,441	1,330	37,581	3,710	-	-	**86,580**
Charged in year	-	24,433	212	1,755	949	14,010	1,913	-	-	**43,272**
Disposals - write off	-	-	-	-	-	-	-	-	-	**-**
Write offs	-	-	-	-	-	-	-	-	-	**-**
Reclassifications	-	(250)	-	-	-	-	-	-	-	**(250)**
Revaluations	-	(64,527)	(212)	321	126	3,172	302	-	-	**(60,818)**

As at 31 March 2023	-	**-**	174	**5,517**	**2,405**	**54,763**	**5,925**	-	-	**68,784**
Carrying amount										
Net book value at 31 March 2022	865,690	775,535	7,293	7,556	8,331	92,618	8,808	116	110,328	1,876,275
Net book value at 31 March 2023	**640,551**	**723,133**	**7,151**	**8,621**	**8,179**	**126,999**	**8,849**	**91**	**281,197**	**1,804,771**
Asset financing:										
Owned	640,551	508,984	7,151	8,621	8,179	126,999	8,849	91	281,197	1,590,622
Finance leased	-	-	-	-	-	-	-	-	-	-
PFI and other service concession arrangements	-	214,149	-	-	-	-	-	-	-	214,149
Net book value at 31 March 2023	**640,551**	**723,133**	**7,151**	**8,621**	**8,179**	**126,999**	**8,849**	**91**	**281,197**	**1,804,771**

Valuations of land and buildings are completed by Jones Lang LaSalle Ltd, in accordance with the RICS Appraisal and Valuation Manual and the FReM. The most recent valuations were carried out on 31 March 2023. Indexation is applied to all other classifications of property, plant and equipment, as well as for intangible assets.

6. Property, plant and equipment (continued)

	Land	Buildings excl. Dwellings	Dwellings	IT	Plant & Machinery	Leasehold Improvements	Furniture & Fittings	Heritage Assets	Assets under Construction	Restated Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or valuation										
At 1 April 2021	328,302	412,491	6,920	5,779	8,598	103,061	5,478	58	30,936	**901,623**
Additions	-	1,967	-	-	-	-	-	-	113,819	**115,786**
Disposals	-	-	-	-	-	(1,005)	-	-	-	**(1,005)**
Impairment	-	(86,091)	543	-	(194)	733	-	-	(329)	**(85,338)**
Reclassifications	-	2,753	4	4,665	34	20,514	5,766	-	(34,098)	**(362)**
Asset transfer from other government bodies	337,604	436,106	-	-	420	720	-	55	-	**774,905**
Transfer to assets held for sale	-	-	-	-	-	-	-	-	-	-
Revaluations	199,784	48,653	-	553	803	6,176	1,274	3	-	**257,246**
At 31 March 2022	**865,690**	**815,879**	**7,467**	**10,997**	**9,661**	**130,199**	**12,518**	**116**	**110,328**	**1,962,855**
Depreciation										
At 1 April 2021	-	101	-	2,041	444	25,238	1,918	-	-	**29,742**
Charged in year	-	24,037	174	1,256	851	11,732	1,516	-	-	**39,566**
Disposals - write off	-	-	-	-	-	(1,005)	-	-	-	**(1,005)**
Write offs	-	-	-	-	(6)	-	-	-	-	**(6)**
Revaluations	-	16,206	-	144	41	1,616	276	-	-	**18,283**
At 31 March 2022	-	**40,344**	174	**3,441**	**1,330**	**37,581**	**3,710**	-	-	**86,580**
Carrying amount										
Net book value at 31 March 2021	328,302	412,390	6,920	3,738	8,154	77,823	3,560	58	30,936	871,881
Net book value at 31 March 2022	**865,690**	**775,535**	**7,293**	**7,556**	**8,331**	**92,618**	**8,808**	**116**	**110,328**	**1,876,275**
Asset financing:										
Owned	865,690	563,425	7,293	7,556	8,325	92,618	8,808	116	110,328	1,664,159
Finance leased	-	42,060	-	-	-	-	-	-	-	42,060
PFI and other service concession arrangements	-	170,050	-	-	6	-	-	-	-	170,056
Net book value at 31 March 2022	**865,690**	**775,535**	**7,293**	**7,556**	**8,331**	**92,618**	**8,808**	**116**	**110,328**	**1,876,275**

7. Right of Use Assets

	Buildings £'000
Cost or valuation	
At 1 April 2022	-
Effect of adoption of IFRS 16	370,003
Revised 1 April 2022	370,003
Additions	473,036
Disposals	(484,293)
Revaluations	(1,321)
Impairment	(94)
As at 31 March 2023	**357,331**
Depreciation	
Accumulated Depreciation as at 1 April 2022	-
Effect of adoption of IFRS 16	-
Revised 1 April 2022	-
Charged in year	26,840
Revaluations	(1,323)
As at 31 March 2023	25,517
Carrying amount	
Net book value at 31 March 2022	-
Net book value at 31 March 2023	**331,814**

Lease expenses recognised in the SoCNI

	2022/23	**2021/22**
Interest on Leases	8,578	-
Depreciation - right of use assets	26,840	-
Irrecoverable VAT on rent expenditure	23,459	-
Rent expenditure on short-term leases	293	-
Total lease expenses	**59,170**	**-**

8. Intangible assets

	Software licences	**Assets under Construction**	**Total**
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 April 2022	761	1,876	2,637
Additions	-	2,139	2,139
Indexation	28	-	28
Reclassifications	69	(18)	51
As at 31 March 2023	**858**	**3,997**	**4,855**
Amortisation			
At 1 April 2022	230	-	**230**
Charged in year	359	-	**359**
Indexation	6	-	**6**
As at 31 March 2023	**595**	**-**	**595**
Carrying amount			
Net book value at 31 March 2022	**531**	**1,876**	**2,407**
As at 31 March 2023	**263**	**3,997**	**4,260**
Asset financing:			
Owned	263	3,997	**4,260**

As at 31 March 2023	**263**	**3,997**	**4,260**

8. Intangible assets (continued)

	Software licences	Assets under Construction	Total
	£'000	**£'000**	**£'000**
Cost or valuation			
At 1 April 2021	330	557	887
Additions	-	1,366	1,366
Indexation	22	-	22
Reclassifications	409	(47)	362
As at 31 March 2022	**761**	**1,876**	**2,637**
Amortisation			
At 1 April 2021	70	-	**70**
Charged in year	155	**-**	**155**
Indexation	5	-	**5**
As at 31 March 2022	**230**	**-**	**230**
Carrying amount			
Net book value at 31 March 2021	**260**	**557**	**817**
As at 31 March 2022	**531**	**1,876**	**2,407**
Asset financing:			
Owned	531	1,876	**2,407**
As at 31 March 2022	**531**	**1,876**	**2,407**

9. Assets held for sale

	Note	31 March 2023	31 March 2022
		£'000	£'000
Balance at 1 April 2022		1,000	1,300
Gain/Loss on change in fair value		-	(300)
Transfer from property, plant and equipment	6	3,648	-
Balance at 31 March 2023		**4,648**	**1,000**

The assets held for sale are surplus freehold properties. The properties are available for sale in their present condition, are being actively marketed and are expected to be disposed of within twelve months of the reporting date. One asset was held as an asset for sale on 31 March 2021, but the sale did not complete within twelve months as had been previously expected. Its value has been adjusted as at 31 March 2023 in line with the latest expectation on sale proceeds.

10a. Trade and other receivables

	Note	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year			
Trade and other receivables		52,079	81,520
Prepayments		18,654	34,586
Lease incentive receivables		2,596	6,118
Lease receivables IFRS 16		104,481	-
Accrued income		63,910	34,389
VAT		-	1,495
Deposits and advances		-	23
Amounts from OGDs to offset GPA provisions		4,133	6,307
Total receivables within one year		**245,853**	**164,438**
Amounts falling due after one year			
Amounts from OGDs to offset GPA provisions		109,282	89,114
Lease incentive receivables		23,392	30,090
Lease receivables IFRS 16		573,579	-
Deposits and advances		-	5,437
Total receivables after one year		**706,253**	**124,641**
Total receivables		**952,106**	**289,079**

Trade receivables in respect of contracts with customers amounted to £36,057,398 (2021/22: £61,614,000). Accrued income in respect of contracts with customers amounted to £54,227,200 (2021/22: £34,195,000).

Trade Receivables are non-interest bearing and generally on 30 days' terms and are shown net of a provision for impairment. Included in trade receivables is a provision for impairment of £2,620,000 (2021/22: £5,220,000) taken against receivables which are assessed annually for likelihood of recoverability and expected credit losses. See note 10b.

10b. Provision for expected credit losses

	2022/23 £'000	2021/22 £'000
At 1 April 2022	(5,220)	(4,680)
Provided in the year	(1,676)	(9,583)
Not required written back	4,276	9,043
As at 31 March 2023	**(2,620)**	**(5,220)**

An allowance for expected credit loss is determined by reference to payment history against settlement terms. The GPA has a policy of internally reviewing aged debt using specific criteria for write-off. Trade receivables are non-interest bearing and are generally on 30 days terms and are shown net of a provision for impairment. Movements in the provision for impairment of receivables is as above.

10c. Lease receivables IFRS 16

The GPA received finance lease income from finance lease contracts in which they act as a lessor through the balance sheet against a lease receivable held. The following sets out a maturity analysis of lease payments, showing the undiscounted lease payments to be received after the reporting date:

31 March 2023 Undiscounted lease receivables to be received	**0.95% £'000**	**3.15% £'000**	**Total £'000**

Less than one year	106,648	9,105	115,753
One to Two Years	87,869	9,104	96,973
Two to Three Years	76,474	9,104	85,578
Three to Four Years	69,829	7,955	77,784
Four to Five Years	64,706	9,104	73,810
More than Five Years	252,272	31,181	283,453
Discount	(45,849)	(9,442)	(55,291)
	611,949	**66,111**	**678,060**

10d. Operating leases

The GPA received £135.3m (2021/22: £213.7 m) of lease income (including service charges) from operating lease contracts in which they act as a lessor. The following sets out a maturity analysis of lease payments to be received after the reporting date. This excludes service charges which are dependent on usage.

Operating leases with clients

	31 March 2023	31 March 2022
	£'000	£'000
Less than one year	123,378	267,280
One to Two Years	117,432	253,824
Two to Three Years	114,608	233,612
Three to Four Years	114,096	217,721
Four to Five Years	111,605	209,259
More than Five Years	1,084,925	1,544,202
Total operating leases with clients	**1,666,044**	**2,725,898**

The GPA has 540 subs leases as at 31 March 2023. The range of end dates for remaining sub leases are between June 2023 and June 2110. The average remaining sub lease term is 6.9 years. The GPA has recognised £19.9m finance income from sub-leasing right of use assets. See note 4.
There are 14 sub-leases which the GPA has judged that a break notice will be served for an early termination.

11. Cash and cash equivalents

	31 March 2023	31 March 2022

	Note	£'000	£'000
Balance at 1 April 2022		**52,815**	**105,318**
Net change in cash and cash equivalent balances		14,439	(52,503)
Balance at 31 March 2023		**67,254**	**52,815**
The following balances were held at:			
Government Banking Service		67,254	52,815
Balance at 31 March 2023		**67,254**	**52,815**
The balance is held for use in respect of:			
Government Property Agency		67,254	52,815
Balance at 31 March 2023		**67,254**	**52,815**

	2021/22	**Cash flows**	**Non-Cash Changes**	**2022/23**
	£'000	**£'000**	**£'000**	**£'000**
Lease liabilities	783,103	(80,724)	295,419	997,798
PFI liabilities	493,119	(12,618)	(19,950)	460,551
Total liabilities from financing activities	**1,276,222**	**(93,342)**	**275,469**	**1,458,349**

12. Trade and other payables

	Note	31 March 2023 £'000	31 March 2022 £'000
Amounts falling due within one year			
Deferred income		19,370	26,711
Other payables		8,158	2,379
Trade payables		22,902	32,241
Lease Incentive Payables		-	5,017
Accruals		112,688	71,885
Other taxation and social security		1,907	-
Accrual for untaken annual leave		916	695
Total payables within one year		**165,941**	**138,928**
Amounts falling due after more than one year			
Lease Incentive Payables		-	64,975
Total payables after one year		-	64,975
Total payables		**165,941**	**203,903**

Trade payables in respect of contracts with customers amounted to £7,977,993 (2021/22: £10,225,000) and deferred income in respect of contracts with customers amounted to £48,811,655 (2021/22: £10,261,000).

13a. Lease Liabilities

	31 March 2023	31 March 2022
	£'000	£'000
Current		
Lease Liabilities	120,457	-
Non Current		
Lease Liabilities	877,341	-
Total Lease Liabilities	**997,798**	-

31 March 2023 Undiscounted lease payments to be received

	0.95%	3.15%	Total
	£'000	£'000	£'000
Less than one year	123,118	158	123,276
One to Two Years	118,981	164	119,146
Two to Three Years	108,599	164	108,763
Three to Four Years	102,236	164	102,400
Four to Five Years	96,135	91	96,226
More than Five Years	501,367	-	501,367
Discount	(53,320)	(59)	(53,379)
	997,116	**682**	**997,798**

The GPA has leases for buildings. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the SoFP as a right of use asset and a lease liability. The nature of the GPA's activities, both as a freeholder and as a lessee, is that of managing properties to let to clients within central government.

GPA has 279 head leases as at 31 March 2023. The range of end dates for remaining head leases are between June 2023 and June 2110. The average remaining head lease term is 7 years.

There was one head lease which GPA judged that a break notice will be served for an early termination date. The lease liability and right of use asset on transition reflect the termination penalty payable. As a lessee the GPA does not have the ability to extend leases.

The GPA manages the liquidity risk inherent in the maturity analysis through entering into agreements which transfer substantially all of the risk and rewards through formal sub-leasing to clients. The GPA also seeks to match terms for the assets and liabilities, when entering into arrangements which creates finance lease receivables, with those of the head lease.

The GPA is committed to lease hub buildings which are under construction. The leases will commence when the construction reaches practical completion.

14. Financial instruments

The GPA is not exposed to significant financial risk factors arising from financial instruments. Financial assets and liabilities are generated by day-to-day operational activities rather than being held to change by the risks facing the entity in undertaking its activities.

Fair value of financial instruments

The fair value of the financial instruments is equivalent to the carrying amount disclosed in the SoFP, Financial instruments not measured at fair value include cash and cash equivalents, trade and other receivables, and trade and other payables. Due to their short-term nature, the carrying value of cash and cash equivalents, trade and other receivables and trade and other payables approximates their fair value.

Credit risk

Credit risk is the risk that a third party will default on its obligations causing the GPA to incur a loss.

In general, exposure to credit risk arises from cash held by banks and trade and other receivables. For each of these, the maximum credit exposure is best represented by the carrying amounts in the SoFP.

The GPA's cash assets are held within the Government Banking Service only and are therefore not exposed to significant credit risk.

Other government funded entities make up 98% of the GPA's receivables and it has been assessed these are low risk due to being government funded. However, where there is doubt over the recoverability of debt, the GPA will recognise a provision for impairment of trade receivables.

Liquidity risk

Liquidity risk is the risk that the GPA will encounter difficulty in raising liquid funds to meet commitments as they fall due.

Prudent liquidity risk management includes maintaining sufficient cash and the availability of funding. The GPA mostly manages liquidity risk by continuously monitoring forecast cash flow requirements and reporting these to the Cabinet Office.

Market risk

Market risk is the risk that the fair value or cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk reflects interest rate risk, currency risk and other price risks.

The GPA's transactions are all undertaken in sterling so it is not exposed to foreign exchange risk. The GPA holds only cash balances and does not have any borrowings and as such operating cash flows are independent of changes in market interest rates.

The GPA is exposed to movements in the property market as the GPA's assets consist predominantly of land and buildings. The GPA is not exposed to significant market risk in relation to rents because rent costs are passed through to clients. The risks associated with vacant space and onboarded shortfalls are mitigated in a number of ways:

- Where a client's lease term is less than the head lease term, the GPA charges a rent premium to offset the void liability.
- Clients are obliged to provide at least 1 year's notice of termination which provides the opportunity to relet.
- Clients remain liable for the void cost as part of their occupation agreement if they exit early.
- Clients transferring properties to the GPA remain liable for voids and shortfalls until the earlier of:
  - the date the space is re-let.
  - the date the next Spending Review period expires (31 March 2025).
  - the date that is three years after the date of the property transfer.
  - the date that the GPA disposes of the transferred property.

The GPA retains some of the risks for hubs and Whitehall Campus. The GPA expects to have a small level of vacant space during 2023/24. The expected vacant space mainly relates to properties where there is ongoing major transformation and refurbishment works which will deliver long term savings.

15a. Provisions

	Dilapidations 31 March 2023	Onerous Leases 31 March 2023	Total 31 March 2023
	£'000	£'000	£'000
Balance at 1 April 2022	99,343	3,623	102,966
Effect of adoption of IFRS 16	-	(3,623)	(3,623)
Revised 1 April 2022	99,343	-	99,343
Provided in the year	32,124	-	32,124
Provisions not required written back	(14,258)	-	(14,258)
Balance at 31 March 2023	**117,209**	**-**	**117,209**

Analysis of expected timings of discounted flows	
Not later than one year:	8,383
Later than one year but not later than five years:	25,976
Later than five years:	82,850
Balance at 31 March 2023	**117,209**

Receivable recognised in respect of provisions

	31 March 2023

	£'000
Balance at 1 April 2022	95,421
Provided in the year	32,996
Provisions not required written back	(15,002)
Balance at 31 March 2023	**113,415**

Provisions relate to dilapidations for buildings managed by GPA and occupied by tenants. An onerous lease provision is created where the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. Amounts recognised are subject to annual assessment and, where appropriate, valuation techniques to ensure amounts recognised are appropriate, adhere to the relevant standard and are supportable. Where appropriate, the charge is passed on to the occupying tenant and the GPA recognises a receivable balance in respect of these amounts as set out above, with the difference arising from voids being recognised in the SoCNI. The GPA considers these recharges to be virtually certain.

The calculation of the GPA's provision for property dilapidations is mostly based on estimated rates per square metre of floor space. These rates reflect historic settlements of dilapidations on expired occupations of similar properties. Detailed physical inspections are carried out where leases are close to expiry. This method of measurement produces a direct correlation between total floor space and the provision. Hence, assuming all other assumptions remain constant, a 10 per cent increase (or decrease) in floor space will result in approximately 10 percent increase (or decrease) in the provision (£11.8m).

Reconciliation of provisions movement to the SOCNI

	31 March 2023
	£'000
Provided in the year	32,124

Provisions not required written back	(14,258)
Provisions re-charged to clients	(17,994)
Balance at 31 March 2023	**(128)**

16. Capital commitments

Capital expenditure contracted for at the end of the reporting period but not included in these financial statements is as follows:

	31 March 2023	**31 March 2022**
	£'000	**£'000**
Property, plant and equipment	383,267	36,615
Total capital commitments	**383,267**	**36,615**

The GPA has entered into non-cancellable contracts (which are not leases or PFI contracts) for capital goods and services. The commitments relate to property modernisation and IT projects.
As at 31 March 2023 the £383.3m is made up of the following material contracts: £82m in relation to new build construction work, £58.3m in relation to construction fit outs, £54m for design and build construction contracts and £31.8m for the design to supplement workplace projects contracts.

17. Other financial commitments

Commitments relate to facilities management in buildings owned or leased by the GPA. This excludes financial commitments generated where the GPA is acting as agent for an asset owner. The asset owner will record the financial commitment.

The classifications in the other financial commitments note have been revised to disclose the analysis of contracts later than five years as per the FReM. Prior year comparatives been restated by reclassifying £989k to ensure comparability across years. The total is unchanged.

	31 March 2023	Restated 31 March 2022
	£'000	**£'000**
Not later than one year	170,451	65,100
Later than one year and not later than five years	136,058	28,552
Later than five years	27,031	989
Total Other Financial Commitments	**333,540**	**94,641**

Facilities Management charges, where relating to properties occupied by clients, are recharged as appropriate to the underlying clients.

As at 31 March 2023 the £333.5m is made up of the following material contracts: £114.5m in relation to the managing of the Operations & Maintenance services for the Whitehall heating system, £102.5m in relation to facility management and £68.7m with our property partner.

18a. On-balance sheet (SoFP) PFI contracts and other service concession arrangements

Property	Onboarded date	Original contract start date	Duration (years)	Description
London, 2 Marsham Street	01/08/2021	March 2002	29	PFI contract covering construction and maintenance of 2 Marsham Street. The contract is for 29 years, expiring in 2032. At the end of the concession period (2032) GPA, will pay the lower of £137.5m (residual value) or the adjusted open market value to acquire the long lease.

London, 1 Horse Guards Road	01/10/2021	March 2000	35	PFI contract covering refurbishment and maintenance of 1HGR. Initial contract with HMT and PFI provider was signed in March 2000 for a 35 year term.
London, 100 Parliament street	01/10/2021	December 2000	35	PFI contract covering refurbishment and maintenance of 100 Parliament Street. Initial contract with HMRC and PFI provider was signed in December 2000 for a 35 year term.

18b. Commitments under PFI and other service concession contracts

Details of the imputed finance lease charges under PFI service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2023	**31 March 2022**
		£'000
Rentals due not later than one year	50,028	58,325
Rentals due later than one year but not later than five years	195,010	219,716
Rentals due later than five years	514,662	584,844
	759,700	**862,885**
Less interest element	(299,149)	(369,766)
Present value of obligations	**460,551**	**493,119**

The present value of liabilities under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2023 £'000	**31 March 2022 £'000**
Rentals due not later than one year	15,215	16,448
Rentals due later than one year and not later than five years	67,388	64,822
Rentals due later than five years	377,948	411,849

Present value of obligations	**460,551**	**493,119**

Details of the minimum service charge under service concession arrangements recognised on the SoFP are given in the table below for each of the following periods:

	31 March 2023 £'000	Restated 31 March 2022 £'000
Not later than one year	55,227	48,180
Later than one year but not later than five years	220,908	192,719
Later than five years	362,256	361,009
Total service element	**638,391**	**601,908**

Prior year has been restated as during 22/23, it was identified that the opening liability in relation to the London, 2 Marsham Street contract was overstated as it included an estimate for indexation in future years which had not yet taken effect. This has therefore had an impact on the minimum lease charges.

Future commitments are estimates based on assumptions, using the best information available.

18c. Charge to the consolidated statement of comprehensive net income

The total amount charged in the SoCNI in respect of on-balance sheet (SoFP) PFI and other service concession arrangements transactions was £137.6m for the period to 31 March 2023 (31-Mar 2022: £59.8m). Of this total the fixed and variable service charge element was £56.9m (2021/22: £24.5m) and the interest charges were £46.1m (2021/22: £29.7m). The remaining balance relates to non-contract specific costs.

19. Asset and liability transfers

	Note	31 March 2023	31 March 2022
		£'000	£'000
Statement of Financial Position			
Increase in Non-current assets			
Department of Health and Social Care (DHSC) - HQ		-	720
Office for National Statistics (ONS)		-	30,215
Home Office		5,908	377,802
Department for Environment, Food & Rural Affairs (DEFRA)		135	-
The Wales Office		-	5,000
National Health Service (NHS BSA)		4,655	-
Ministry of Justice (MoJ)		6,723	-
Driving Standards Agency (DVSA)		2,450	-
Maritime and Coastguard Agency (MCA)		10,550	-
HM Revenue and Customs (HMRC)		-	207,424
HM Treasury (HMT)		-	150,528
Department for Digital, Culture, Media and Sport (DCMS)		-	3,000
Other		-	216
Total increase in non-current assets		**30,421**	**774,905**
Recognition of these non-current assets is fully supported by Capital Grant in Kind Income recognised in the SoCNI			
Statement of Comprehensive Net Income			
Capital Grant in Kind Income	2	(30,421)	(774,905)
Total Capital Grant in Kind Income		**(30,421)**	**(774,905)**
Transfer of revaluations reserves through General Reserves			

General Fund	SoCTE	1,355	308,370
Revaluation Reserve	SoCTE	(1,355)	(308,370)
		-	-

	Note	31 March 2023	31 March 2022
		£'000	£'000
Statement of Financial Position Increase in Liabilities			
Home Office		**-**	**(228,385)**
HM Revenue and Customs (HMRC)		**-**	**(167,317)**
HM Treasury (HMT)		**-**	**(105,055)**
Total increase in Liabilities	18	**-**	**(500,757)**
Statement of Comprehensive Net Expenditure			
PFI onboarding Liability transfers	3	-	**500,757**
Total PFI onboarding Liability transfers		**-**	**500,757**

During the year the GPA was donated assets to the gross value of £30,421,000(2021/22: £774,905,000) before liabilities. No restrictions have been placed on these assets by the donors.

20. Cash flow reconciliations

	Note	2022/23 £'000	2021/22 £'000
Capital Grant in kind asset transfer	2 & 19	(30,421)	(774,905)
Total Non-cash income		**(30,421)**	**(774,905)**

	Note	2022/23 £'000	2021/22 £'000
Movement in Short term receivable	10a	(24,321)	(34,925)
Movement in Long term receivable	10a	12,135	(31,338)
Movement in short term Lease Receivable	10a	625,044	-
Movement in long term Lease Receivable	10a	(594,508)	-
Non-cash movement in dilapidation provisions recharged to tenants (ST & LT)	15a	17,994	18,884
Non-cash movement on trade receivables		2,600	(540)
Change in trade and other receivables		**38,944**	**(47,919)**

	Note	2022/23 £'000	2021/22 £'000
Movement in short term payables	12	37,633	53,553
Movement in long term payables	12	4,912	19,657

Change in trade and other payables		**42,545**	**73,210**

	Note	2022/23 £'000	2021/22 £'000
Depreciation and amortisation	6,7 & 8	70,471	39,721
Provisions	15a	(128)	(8,680)
Other non-cash	3c	3,654	85,632
External auditor's remuneration	3c	295	212
Non-cash movements from PFI's	18	(19,950)	500,757
Non-cash movement of Impairment - PPE		59,776	-
Non-cash movement of Impairment -ROU	3c	94	-
Non-cash movement of Impairment - trade receivables	3c	(2,600)	540
Total Non-cash expenditure		**111,612**	**618,182**

21. IFRS 16 First Time adoption

The following table presents the impact of the first application of IFRS 16 on the opening Statement of Financial Position:

	Note	31 March 2022 £'000	First time application of IFRS 16 £'000	1st April 2022 under IFRS 16 £'000
Non-current assets				
Property, plant and equipment	6	1,876,275	(42,060)	1,834,215
Investment properties		-	-	-
Rights of Use Assets	7	-	370,003	370,003

Intangible assets	8	2,407	-	2,407
Investments in associates		-	-	-
Trade and other receivables		124,641	411,417	536,058
Other financial assets		-	-	-
Total non-current assets		**2,003,323**	**739,360**	**2,742,683**
Current assets				
Other Financial Assets		-	-	-
Assets classified as held for sale	9	1,000	-	1,000
Trade and other receivables		164,438	(29,525)	134,913
Cash and cash equivalents		52,815	-	52,815
Total current assets		**218,253**	**(29,525)**	**188,728**
Total assets		**2,221,576**	**709,835**	**2,931,411**
Current liabilities				
Trade and other payables		(138,928)	11,997	(126,931)
Finance Lease element of PFI Contract		(16,448)	-	(16,448)
Lease Liabilities			(97,154)	(97,154)
Provisions	15a	(8,434)	3,622	(4,812)
Total current liabilities		**(163,810)**	**(81,535)**	**(245,345)**
Non-current assets less net current liabilities		**2,057,766**	**628,300**	**2,686,066**
Non-current liabilities				
Trade and other payables		(64,975)	64,975	-
Finance Lease element of PFI Contract		(476,671)	-	(476,671)
Lease Liabilities			(685,949)	(685,949)

Provisions	15a	(94,532)	-	(94,532)
Total non-current liabilities		**(636,178)**	**(620,974)**	**(1,257,152)**
Total assets less liabilities		**1,421,588**	**7,326**	**1,428,914**
Taxpayers' equity and other reserves				
General fund	SoCTE	534,041	7,326	541,367
Revaluation reserve	SoCTE	887,547	-	887,547
Total equity		**1,421,588**	**7,326**	**1,428,914**

22. Related party transactions

The GPA is an executive agency of and sponsored by the Cabinet Office which is regarded as a related party. During the year, GPA has had material transactions with the Cabinet Office and other entities for which the Cabinet Office is regarded as the parent Department including Crown Commercial Services.

In addition, GPA has received transferred assets, rental income and non-rental income from onboarded clients. Assets have been transferred from a number of other Departments and Government bodies, the largest of these being by the Maritime and Coastguard Agency (MCA), Ministry of Justice (MOJ) and Home Office. The most significant income has been received from the Cabinet Office, DfE, BEIS, Home Office, The Crown Prosecution Service and Department for Levelling up, Housing and Communities (DLUHC).

No guarantees were given or received from any of the outstanding balances.

Details of remuneration for Board members can be found in the Remuneration Report section of the Accountability Report. Non-Executive and Executive Board members must declare to the Accounting Officer and Board any personal or business interest which may, or may be perceived to, influence their judgement as a Board member.

As referred to in the Directors' report, the GPA holds a register of interests for Board members and each interest is assessed to determine whether this represents a conflict. During the year no Board member, key manager or other related parties, other
than those mentioned, have undertaken any material transactions with the GPA.

Pat Ritchie is a Board member of Homes England from March 2022. Homes England is a client of the GPA within the government boundary.

Rob Razzell, who is a non-executive director of GPA, is a Board member of UK Government Investments Ltd, which is a supplier to GPA within the government boundary.

Jane Hamilton, who is a non-executive director of GPA, is Chair of the Board of NHS Property Services Ltd. NHS Property Services Ltd is a client of GPA within the government boundary.

A close relative of Jane Hamilton is a Board member of the Crown Estate, which is a supplier to GPA outside the government boundary. Total expenditure with the Crown Estate in the year amounted to £412,000 with a total payable balance as at 31 March 2023 of nil. At 31 March 2023 the GPA held lease liabilities with the Crown Estate of £1,934,610.

23. Events after the reporting date

In accordance with the requirements of IAS 10, events after the reporting period are considered up to the date on which the accounts are authorised for issue by the
Accounting Officer. This is interpreted as the date of the Certificate and Report of the
Comptroller and Auditor General.

In April 2023 the GPA onboarded the leased property at London, Caxton House from DWP. A lease liability of £28.5m was recognised from this date. A finance sub-lease with DWP commenced on the same date, resulting in recognition of a lease receivable asset of £28.5m.

In April 2023 the GPA sold the freehold property at Peterborough, Aragon Court for £4.2m. The property value included with Assets Held For Sale as at 31 March 2023 was £3.6m.

In April 2023 the GPA signed a contract with Tilbury Douglas Construction for the refurbishment of London, 22-26 and 3-8 Whitehall.

In May 2023 the GPA entered into a lease for a hub property at Croydon, Ruskin Square. This is a 26 year lease with a 12 month rent free period. A lease liability of £156.2m was recognised from this date. Clients are expected to occupy this building from mid 2024 following completion of fit-out

In July 2023 the GPA onboarded the leased property at Nottingham, 1 Unity Square from HMLR. A lease liability of £7.2m was recognised from this date. A finance sub-lease with HMLR commenced on the same date, resulting in recognition of a lease receivable asset of £7.2m.

In July 2023 the GPA onboarded the freehold property at Swindon, The Engine House with a value of £2.8m. An operating sub-lease with Historic England commenced on the same date.